100TH CONGRESS
2d Session
HOUSE OF REPRESENTATIVES
REPORT
100-998

FAMILY SUPPORT ACT OF 1988

SEPTEMBER 28, 1988.—Ordered to be printed

Mr. ROSTENKOWSKI, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H.R. 1720]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 1720) to replace the existing AFDC program with a new Family Support Program which emphasizes work, child support, and need-based family support supplements, to amend title IV of the Social Security Act to encourage and assist needy children and parents under the new program to obtain the education, training and employment needed to avoid long-term welfare dependence, and to make other necessary improvements to assure that the new program will be more effective in achieving its objectives, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Family Support Act of 1988".

(b) TABLE OF CONTENTS.—The table of contents of this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—CHILD SUPPORT AND ESTABLISHMENT OF PATERNITY

SUBTITLE A—CHILD SUPPORT

Sec. 101. Immediate income withholding.
Sec. 102. Disregard applicable to timely child support payments.
Sec. 103. State guidelines for child support award amounts.

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Sec. 104. Timing of notice of support payment collections.

SUBTITLE B—ESTABLISHMENT OF PATERNITY

Sec. 111. Performance standards for State paternity establishment programs.
Sec. 112. Increased Federal assistance for paternity establishment.

SUBTITLE C—IMPROVED PROCEDURES FOR CHILD SUPPORT ENFORCEMENT AND ESTABLISHMENT OF PATERNITY

Sec. 121. Requirement of prompt State response to requests for child support assistance.
Sec. 122. Requirement of prompt State distribution of amounts collected as child support.
Sec. 123. Automated tracking and monitoring systems made mandatory.
Sec. 124. Additional information source for parent locator service.
Sec. 125. Use of social security number to establish identity of parents.
Sec. 126. Commission on Interstate Child Support.
Sec. 127. Costs of interstate enforcement demonstrations excluded in computing incentive payments.
Sec. 128. Study of child-rearing costs.
Sec. 129. Collection and reporting of child support enforcement data.

TITLE II—JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAM

Sec. 201. Establishment and operation of program.
Sec. 202. Technical and conforming amendments.
Sec. 203. Regulations; performance standards; studies.
Sec. 204. Effective date.

TITLE III—SUPPORTIVE SERVICES FOR FAMILIES

Sec. 301. Child care during participation in education, employment, and training.
Sec. 302. Extended eligibility for child care.
Sec. 303. Extended eligibility for medical assistance.
Sec. 304. Effective dates.

TITLE IV--RELATED AFDC AMENDMENTS

Sec. 401. Benefits for two-parent families.
Sec. 402. Changes in earned income disregards.
Sec. 403. Households headed by minor parents.
Sec. 404. Periodic reevaluation of need and payment standards.
Sec. 405. CBO study on implementation of national minimum payment standard.
Sec. 406. Study of new national approaches to welfare benefits for low-income families with children.

TITLE V—DEMONSTRATION PROJECTS

Sec. 501. Family support demonstration projects.
Sec. 502. Demonstration projects to test the effect of early childhood development programs.
Sec. 503. Demonstration projects to test alternative definitions of unemployment.
Sec. 504. Demonstration projects to address child access problems.
Sec. 505. Demonstration projects to expand the number of job opportunities available to certain low-income individuals.
Sec. 506. Demonstration projects to provide counseling and services to high-risk teenagers.
Sec. 507. Eighteen-month extension of Minnesota prepaid medicaid demonstration project.

TITLE VI—MISCELLANEOUS PROVISIONS

Sec. 601. Inclusion of American Samoa as a State under title IV.
Sec. 602. Increase in amount available for payment to Puerto Rico, the Virgin Islands, and Guam.
Sec. 603. Assistant Secretary for Family Support.
Sec. 604. Responsibilities of the State.
Sec. 605. Establishment of preeligibility fraud detection measures.
Sec. 606. Uniform reporting requirements.
Sec. 607. State reports on expenditure and use of social services funds.

Sec. 608. Miscellaneous technical corrections to Medicare Catastrophic Coverage Act of 1988.
Sec. 609. Extension of quality control penalty moratorium.

TITLE VII—FUNDING PROVISIONS

Sec. 701. Temporary extension of provisions relating to collection of nontax debts owed to Federal agencies.
Sec. 702. Limitation on use of reimbursement arrangements to avoid 2-percent floor.
Sec. 703. Modifications to dependent care credit and exclusion for dependent care assistance.
Sec. 704. Taxpayer identification number required for dependents who have attained age 2.

TITLE I—CHILD SUPPORT AND ESTABLISHMENT OF PATERNITY

Subtitle A—Child Support

SEC. 101. IMMEDIATE INCOME WITHHOLDING.

(a) IN GENERAL.—Section 466(b)(3) of the Social Security Act is amended to read as follows:

"(3)(A) The wages of an absent parent shall be subject to such withholding, regardless of whether support payments by such parent are in arrears, in the case of a support order being enforced under this part that is issued or modified on or after the first day of the 25th month beginning after the date of the enactment of this paragraph, on the effective date of the order; except that such wages shall not be subject to such withholding under this subparagraph in any case where (i) one of the parties demonstrates, and the court (or administrative process) finds, that there is good cause not to require immediate income withholding, or (ii) a written agreement is reached between both parties which provides for an alternative arrangement.

"(B) The wages of an absent parent shall become subject to such withholding, in the case of wages not subject to withholding under subparagraph (A), on the date on which the payments which the absent parent has failed to make under a support order are at least equal to the support payable for one month or, if earlier, and without regard to whether there is an arrearage, the earliest of—

"(i) the date as of which the absent parent requests that such withholding begin,

"(ii) the date as of which the custodial parent requests that such withholding begin, if the State determines, in accordance with such procedures and standards as it may establish, that the request should be approved, or

"(iii) such earlier date as the State may select.".

(b) APPLICATION TO ALL CHILD SUPPORT ORDERS.—Section 466(a)(8) of such Act is amended—

(1) by inserting "(A)" before "Procedures";

(2) by striking "which are issued or modified in the State" and inserting in lieu thereof "not described in subparagraph (B)"; and

(3) by adding at the end the following new subparagraph:

"(B) Procedures under which all child support orders which are initially issued in the State on or after January 1, 1994, and are not being enforced under this part will include the following requirements:

"(i) The requirements of subsection (b)(1) (which shall apply in the case of each absent parent against whom a support order is or has been issued or modified in the State, without regard to whether the order is being enforced under the State plan).

"(ii) The requirements of paragraphs (2), (5), (6), (7), (8), (9), and (10) of subsection (b), where applicable.

"(iii) Withholding from income of amounts payable as support must be carried out in full compliance with all procedural due process requirements of the State.".

(c) STUDY ON MAKING IMMEDIATE INCOME WITHHOLDING MANDATORY IN ALL CASES.—The Secretary of Health and Human Services shall conduct a study of the administrative feasibility, cost implications, and other effects of requiring immediate income withholding with respect to all child support awards in a State and shall report on the results of such study not later than 3 years after the date of the enactment of this Act.

(d) EFFECTIVE DATE.—(1) The amendment made by subsection (a) shall become effective on the first day of the 25th month beginning after the date of the enactment of this Act.

(2) The amendments made by subsection (b) shall become effective on January 1, 1994.

(3) Subsection (c) shall become effective on the date of the enactment of this Act.

SEC. 102. DISREGARD APPLICABLE TO TIMELY CHILD SUPPORT PAYMENTS.

(a) IN GENERAL.—Section 402(a)(8)(A)(vi) of the Social Security Act is amended by striking "of any child support payments received in such month" and inserting in lieu thereof "of any child support payments for such month received in that month, and the first $50 of child support payments for each prior month received in that month if such payments were made by the absent parent in the month when due,".

(b) CONFORMING AMENDMENT.—Section 457(b)(1) of such Act is amended by striking "the first $50 of such amounts as are collected periodically which represent monthly support payments" and inserting in lieu thereof "of such amounts as are collected periodically which represent monthly support payments, the first $50 of any payments for a month received in that month, and the first $50 of payments for each prior month received in that month which were made by the absent parent in the month when due,".

(c) EFFECTIVE DATE.—The amendments made by this section shall become effective on the first day of the first calendar quarter which begins after the date of the enactment of this Act.

SEC. 103. STATE GUIDELINES FOR CHILD SUPPORT AWARD AMOUNTS.

(a) GUIDELINES TO CREATE REBUTTABLE PRESUMPTION.—Section 467(b) of the Social Security Act is amended—

(1) by inserting "(1)" after "(b)";

(2) by striking ", but need not be binding upon such judges or other officials"; and

(3) by adding at the end the following new paragraph:

"(2) There shall be a rebuttable presumption, in any judicial or administrative proceeding for the award of child support, that the amount of the award which would result from the application of such guidelines is the correct amount of child support to be awarded. A written finding or specific finding on the record that the application of the guidelines would be unjust or inappropriate in a particular case, as determined under criteria established by the State, shall be sufficient to rebut the presumption in that case.".

(b) GUIDELINES TO BE REVIEWED EVERY 4 YEARS.—Section 467(a) of such Act is amended by inserting ", and shall be reviewed at least once every 4 years to ensure that their application results in the determination of appropriate child support award amounts" after "action".

(c) STATE LAW REQUIREMENTS FOR REVIEW OF INDIVIDUAL AWARDS.—Section 466(a) of such Act is amended by inserting after paragraph (9) the following new paragraph:

"(10)(A) Procedures to ensure that, beginning 2 years after the date of the enactment of this paragraph, if the State determines (pursuant to a plan indicating how and when child support orders in effect in the State are to be periodically reviewed and adjusted) that a child support order being enforced under this part should be reviewed, the State must, at the request of either parent subject to the order, or of a State child support enforcement agency, initiate a review of such order, and adjust such order, as appropriate, in accordance with the guidelines established pursuant to section 467(a).

"(B) Procedures to ensure that, beginning 5 years after the date of the enactment of this paragraph or such earlier date as the State may select, the State must implement a process for the periodic review and adjustment of child support orders being enforced under this part under which the order is to be reviewed not later than 36 months after the establishment of the order or the most recent review, and adjusted, as appropriate, in accordance with the guidelines established pursuant to section 467(a), unless—

"(i) in the case of an order with respect to an individual with respect to whom an assignment under section 402(a)(26) is in effect, the State has determined, in accordance with regulations of the Secretary, that such a review would not be in the best interests of the child and neither parent has requested review; and

"(ii) in the case of any other order being enforced under this part, neither parent has requested review.

"(C) Procedures to ensure that the State notifies each parent subject to a child support order in effect in the State that is being enforced under this part—

"(i) of a review at least 30 days before the commencement of such review; and

"(ii) of the right of such parent under subparagraph (B) to request the State to review such order; and

"(iii) of a proposed adjustment (or determination that there should be no change) in the child support award amount, and such parent is afforded not less than 30 days

after such notification to initiate proceedings to challenge such adjustment (or determination).".

(d) STUDY OF IMPACT OF EXTENDING PERIODIC REVIEW REQUIREMENT TO ALL OTHER CASES.—Within 2 years after the date of the enactment of this Act, the Secretary of Health and Human Services shall conduct and complete a study to determine the impact on child support awards and the courts of requiring each State to periodically review all child support orders in effect in the State.

(e) DEMONSTRATION PROJECTS FOR EVALUATING MODEL PROCEDURES FOR REVIEWING CHILD SUPPORT AWARDS.—(1) Not later than April 1, 1989, the Secretary of Health and Human Services (in this subsection referred to as the "Secretary") shall enter into an agreement with each of 4 States submitting applications under this subsection for the purpose of conducting a demonstration project under part D of title IV of the Social Security Act in the State to test and evaluate model procedures for reviewing child support award amounts.

(2) Notwithstanding section 454(1) of the Social Security Act, a demonstration project conducted under this subsection may be conducted in one or more political subdivisions of the State.

(3) An agreement under this subsection shall be entered into between the Secretary and the State agency designated by the Governor of the State involved. Under such agreement, the Secretary shall pay to the State, as an additional payment under part D of title IV of the Social Security Act, an amount equal to 90 percent of the reasonable costs incurred by the State in conducting a demonstration project under this subsection. Such costs shall not be taken into account for purposes of computing the incentive payment under section 458 of such Act.

(4) A demonstration project under this subsection shall be commenced not later than September 30, 1989, and shall be conducted for a 2-year period unless the Secretary determines that the State conducting the project is not in substantial compliance with the terms of the agreement entered into with the State under paragraph (1).

(5)(A) Any State with an agreement under this subsection shall furnish the Secretary with such information as the Secretary determines to be necessary to evaluate the results of the project conducted by the State.

(B) The Secretary shall report the results of the demonstration projects conducted under this subsection to Congress not later than 6 months after all such projects are completed.

(f) EFFECTIVE DATE.—The amendments made by this section shall become effective one year after the date of the enactment of this Act.

SEC. 104. TIMING OF NOTICE OF SUPPORT PAYMENT COLLECTIONS.

(a) IN GENERAL.—Section 454(5)(A) of the Social Security Act is amended by striking "at least annually" and inserting in lieu thereof "on a monthly basis (or on a quarterly basis for so long as the Secretary determines with respect to a State that requiring such notice on a monthly basis would impose an unreasonable administrative burden)".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall become effective on the first day of the first calendar quarter

which begins 4 or more years after the date of the enactment of this Act.

Subtitle B—Establishment of Paternity

SEC. 111. PERFORMANCE STANDARDS FOR STATE PATERNITY ESTABLISHMENT PROGRAMS.

(a) STANDARDS FOR STATE PROGRAMS.—Section 452 of the Social Security Act is amended by adding at the end the following new subsection:

"(g)(1) A State's program under this part shall be found, for purposes of section 403(h), not to have complied substantially with the requirements of this part unless, for any fiscal year beginning on or after October 1, 1991, its paternity establishment percentage for such fiscal year equals or exceeds—

"(A) 50 percent;

"(B) the paternity establishment percentage of the State for the fiscal year 1988, increased by the applicable number of percentage points; or

"(C) the paternity establishment percentage determined with respect to all States for such fiscal year.

"(2) For purposes of this section—

"(A) the term 'paternity establishment percentage' means, with respect to a State (or all States, as the case may be) for a fiscal year, the ratio (expressed as a percentage) that the total number of children—

"(i) who have been born out of wedlock,

"(ii)(I) except as provided in the last sentence of this paragraph, with respect to whom aid is being paid under the State's plan approved under part A (or under all such plans) for such fiscal year, or (II) with respect to whom services are being provided under the State's plan approved under this part (or under all such plans) for the fiscal year pursuant to an application submitted under section 454(6), and

"(iii) the paternity of whom has been established,

bears to the total number of children who have been born out of wedlock and (except as provided in such last sentence) with respect to whom aid is being paid under the State's plan approved under part A (or under all such plans) for such fiscal year or with respect to whom services are being provided under the State's plan approved under this part (or under all such plans) for the fiscal year pursuant to an application submitted under section 454(6); and

"(B) the applicable number of percentage points means, with respect to a fiscal year (beginning with the fiscal year 1991), 3 percentage points multiplied by the number of fiscal years after the fiscal year 1989 and before the beginning of such fiscal year.

For purposes of subparagraph (A), the total number of children shall not include any child who is a dependent child by reason of the death of a parent or any child with respect to whom an applicant or recipient is found to have good cause for refusing to cooperate under section 402(a)(26).

"(3)(A) The requirements of this subsection are in addition to and shall not supplant any other requirement (that is not inconsistent with such requirements) established in regulations by the Secretary for the purpose of determining (for purposes of section 403(h)) whether the program of a State operated under this part shall be treated as complying substantially with the requirements of this part.

"(B) The Secretary may modify the requirements of this subsection to take into account such additional variables as the Secretary identifies (including the percentage of children born out-of-wedlock in a State) that affect the ability of a State to meet the requirements of this subsection.

"(C) The Secretary shall submit an annual report to the Congress that sets forth the data upon which the paternity establishment percentages for States for a fiscal year are based, lists any additional variables the Secretary has identified under subparagraph (A), and describes State performance in establishing paternity.".

(b) GENETIC TESTS MAY BE REQUIRED BY CONTESTING PARTY.—Section 466(a)(5) of such Act is amended—

(1) by inserting "(A)" after "(5)"; and

(2) by adding at the end the following new subparagraph:

"(B) Procedures under which the State is required (except in cases where the individual involved has been found under section 402(a)(26)(B) to have good cause for refusing to cooperate) to require the child and all other parties, in a contested paternity case, to submit to genetic tests upon the request of any such party.".

(c) STATES MAY CHARGE INDIVIDUALS NOT RECEIVING AFDC FOR COSTS OF GENETIC TESTS TO ESTABLISH PATERNITY.—Section 454(6) of such Act is amended—

(1) by redesignating clause (D) as clause (E); and

(2) by inserting "(D) a fee (established under regulations of the Secretary) for performing genetic tests may be imposed on any individual who is not a recipient of aid under a State plan approved under part A," after "section 464(a)(2),".

(d) ENCOURAGEMENT OF CIVIL PROCESSES.—Part D of title IV of such Act is amended by adding at the end the following new section:

"ENCOURAGEMENT OF STATES TO ADOPT SIMPLE CIVIL PROCESS FOR VOLUNTARILY ACKNOWLEDGING PATERNITY AND A CIVIL PROCEDURE FOR ESTABLISHING PATERNITY IN CONTESTED CASES

"SEC. 468. In the administration of the child support enforcement program under this part, each State is encouraged to establish and implement a simple civil process for voluntarily acknowledging paternity and a civil procedure for establishing paternity in contested cases.".

(e) REQUIREMENT TO PERMIT PATERNITY ESTABLISHMENT FOR CHILD UNDER 18.—Section 466(a)(5)(A) of such Act (as so designated by subsection (b) of this section) is amended—

(1) by inserting "(i)" before "(A)"; and

(2) by inserting at the end the following new clause:

"(ii) As of August 16, 1984, the requirement of clause (i) shall also apply to any child for whom paternity has not yet been established

and any child for whom a paternity action was brought but dismissed because a statute of limitations of less than 18 years was then in effect in the State.".

(f) EFFECTIVE DATE; IMPLEMENTATION.—(1) The amendments made by subsections (a), (d), and (e) shall become effective on the date of the enactment of this Act.

(2) The amendments made by subsections (b) and (c) shall become effective on the first day of the first month beginning one year or more after the date of the enactment of this Act.

(3) The Secretary of Health and Human Services shall collect the data necessary to implement the requirements of section 452(g) of the Social Security Act (as added by subsection (a) of this section) and may, in carrying out the requirement of determining a State's paternity establishment percentage for the fiscal year 1988, compute such percentage on the basis of data collected with respect to the last quarter of such fiscal year (or, if such data are not available, the first quarter of the fiscal year 1989) if the Secretary determines that data for the full year are not available.

SEC. 112. INCREASED FEDERAL ASSISTANCE FOR PATERNITY ESTABLISHMENT.

(a) INCREASED PAYMENTS TO STATES.—Section 455(a)(1) of the Social Security Act is amended—

(1) by striking "and" at the end of subparagraph (A);

(2) by striking the semicolon at the end of subparagraph (B) and inserting in lieu thereof ", and"; and

(3) by adding at the end the following new subparagraph:

"(C) equal to 90 percent (rather than the percentage specified in subparagraph (A)) of so much of the sums expended during such quarter as are attributable to laboratory costs incurred in determining paternity;".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply with respect to laboratory costs incurred on or after October 1, 1988.

Subtitle C—Improved Procedures for Child Support Enforcement and Establishment of Paternity

SEC. 121. REQUIREMENT OF PROMPT STATE RESPONSE TO REQUESTS FOR CHILD SUPPORT ASSISTANCE.

(a) IN GENERAL.—Section 452 of the Social Security Act (as amended by section 111(a) of this Act) is further amended by adding at the end the following new subsection:

"(h) The standards required by subsection (a)(1) shall include standards establishing time limits governing the period or periods within which a State must accept and respond to requests (from States, jurisdictions thereof, or individuals who apply for services furnished by the State agency under this part or with respect to whom an assignment under section 402(a)(26) is in effect) for assistance in establishing and enforcing support orders, including requests to locate absent parents, establish paternity, and initiate proceedings to establish and collect child support awards.".

(b) ADVISORY COMMITTEE; REGULATIONS.—(1) Not later than 60 days after the date of the enactment of this Act, the Secretary of Health and Human Services shall establish an advisory committee. The committee shall include representatives of organizations representing State governors, State welfare administrators, and State directors of programs under part D of title IV of the Social Security Act. The Secretary shall consult with the advisory committee before issuing any regulations with respect to the standards required by the amendment made by subsection (a) (including regulations regarding what constitutes an adequate response on the part of a State to the request of an individual, State, or jurisdiction).

(2) Not later than 180 days after the date of the enactment of this Act, the Secretary of Health and Human Services shall issue a notice of proposed rulemaking with respect to the standards required by the amendment made by subsection (a), and, after allowing not less than 60 days for public comment, shall issue final regulations not later than the first day of the 10th month beginning after such date of enactment.

SEC. 122. REQUIREMENT OF PROMPT STATE DISTRIBUTION OF AMOUNTS COLLECTED AS CHILD SUPPORT.

(a) IN GENERAL.—Section 452 of the Social Security Act (as amended by the preceding provisions of this Act) is further amended by adding at the end the following new subsection:

"(i) The standards required by subsection (a)(1) shall include standards establishing time limits governing the period or periods within which a State must distribute, in accordance with section 457, amounts collected as child support pursuant to the State's plan approved under this part.".

(b) REGULATIONS.—Not later than 180 days after the date of the enactment of this Act, the Secretary of Health and Human Services shall issue a notice of proposed rulemaking with respect to the standards required by the amendment made by subsection (a), and, after allowing not less than 60 days for public comment, shall issue final regulations not later than the first day of the 10th month to begin after such date of enactment.

SEC. 123. AUTOMATED TRACKING AND MONITORING SYSTEMS MADE MANDATORY.

(a) PLAN REQUIREMENT.—(1) Section 454 of the Social Security Act is amended—

(A) by striking "and" after the semicolon at the end of paragraph (22);

(B) by striking the period at the end of paragraph (23) and inserting in lieu thereof "; and"; and

(C) by inserting after paragraph (23) the following new paragraph:

"(24) provide that if the State, as of the date of the enactment of this paragraph, does not have in effect an automated data processing and information retrieval system meeting all of the requirements of paragraph (16), the State—

"(A) will submit to the Secretary by October 1, 1991, for review and approval by the Secretary within 9 months after submittal an advance automated data processing planning document of the type referred to in such paragraph; and

"(B) will have in effect by October 1, 1995, an operational automated data processing and information retrieval system, meeting all the requirements of that paragraph, which has been approved by the Secretary.".

(2) Section 454(16) of such Act is amended by striking "an automatic" and inserting in lieu thereof "a statewide automated".

(b) WAIVER AUTHORITY.—Section 452(d) of such Act is amended—

(1) by striking "The" in paragraph (1) and inserting in lieu thereof "Except as provided in paragraph (3), the"; and

(2) by adding at the end the following new paragraph:

"(3) The Secretary may waive any requirement of paragraph (1) or any condition specified under section 454(16) with respect to a State if—

"(A) the State demonstrates to the satisfaction of the Secretary that the State has an alternative system or systems that enable the State, for purposes of section 403(h), to be in substantial compliance with other requirements of this part; and

"(B)(i) the waiver meets the criteria of paragraphs (1), (2), and (3) of section 1115(c), or

"(ii) the State provides assurances to the Secretary that steps will be taken to otherwise improve the State's child support enforcement program.".

(c) REPEAL OF 90-PERCENT FEDERAL REIMBURSEMENT RATE FOR AUTOMATED DATA SYSTEMS.—Effective September 30, 1995, section 455(a)(1) of such Act (as amended by section 112(a) of this Act) is amended—

(1) by striking subparagraphs (A) and (B);

(2) by redesignating subparagraph (C) as subparagraph (A);

(3) in subparagraph (A) (as so redesignated)—

(A) by striking "(rather than the percentage specified in subparagraph (A))"; and

(B) by inserting "and" after the semicolon; and

(4) by inserting after subparagraph (A) (as so redesignated) the following new subparagraph:

"(B) an amount equal to the percent specified in paragraph (2) of the total amounts expended by such State during such quarter for the operation of the plan approved under section 454;".

(d) CONFORMING AMENDMENTS.—Sections 402(e), 452(d)(1), and 454(16) of such Act are each amended by striking "automatic" each place it appears and inserting in lieu thereof "automated".

SEC. 124. ADDITIONAL INFORMATION SOURCE FOR PARENT LOCATOR SERVICE.

(a) IN GENERAL.—Section 453(e) of the Social Security Act is amended by adding at the end the following new paragraph:

"(3) The Secretary of Labor shall enter into an agreement with the Secretary to provide prompt access for the Secretary (in accordance with this subsection) to the wage and unemployment compensation claims information and data maintained by or for the Department of Labor or State employment security agencies.".

(b) STATE REQUIREMENT TO ASSIST SECRETARY IN OBTAINING INFORMATION.—(1) Section 303 of such Act is amended by adding at the end the following new subsection:

"(h)(1) The State agency charged with the administration of the State law shall take such actions (in such manner as may be provided in the agreement between the Secretary of Health and Human Services and the Secretary of Labor under section 453(e)(3)) as may be necessary to enable the Secretary of Health and Human Services to obtain prompt access to any wage and unemployment compensation claims information (including any information that might be useful in locating an absent parent or such parent's employer) for use by the Secretary of Health and Human Services, for purposes of section 453, in carrying out the child support enforcement program under title IV.

"(2) Whenever the Secretary of Labor, after reasonable notice and opportunity for hearing to the State agency charged with the administration of the State law, finds that there is a failure to comply substantially with the requirement of paragraph (1), the Secretary of Labor shall notify such State agency that further payments will not be made to the State until such Secretary is satisfied that there is no longer any such failure. Until the Secretary of Labor is so satisfied, such Secretary shall make no further certification to the Secretary of the Treasury with respect to such State.".

(2) Section 304(a)(2) of such Act is amended by striking "or (e)" and inserting in lieu thereof "(e), or (h)".

(c) EFFECTIVE DATE; IMPLEMENTATION.—(1) Except as provided in paragraph (2), the amendments made by subsections (a) and (b) shall become effective on the first day of the first calendar quarter which begins one year or more after the date of the enactment of this Act.

(2) The Secretary of Health and Human Services and the Secretary of Labor shall enter into the agreement required by the amendment made by subsection (a) not later than 90 days after the date of the enactment of this Act.

SEC. 125. USE OF SOCIAL SECURITY NUMBER TO ESTABLISH IDENTITY OF PARENTS.

(a) DISCLOSURE OF SOCIAL SECURITY NUMBER AT TIME OF CHILD'S BIRTH.—Section 205(c)(2)(C) of the Social Security Act is amended—

(1) in clause (i)—

(A) by inserting "(I)" after "(i)"; and

(B) by adding at the end the following new subclause:

"(II) In the administration of any law involving the issuance of a birth certificate, each State shall require each parent to furnish to such State (or political subdivision thereof) or any agency thereof having administrative responsibility for the law involved, the social security account number (or numbers, if the parent has more than one such number) issued to the parent unless the State (in accordance with regulations prescribed by the Secretary) finds good cause for not requiring the furnishing of such number. The State shall make numbers furnished under this subclause available to the agency administering the State's plan under part D of title IV in accordance with Federal or State law and regulation. Such numbers shall not be recorded on the birth certificate. A State shall not use any social security account number, obtained with respect to the issuance by the State of a birth certificate, for any purpose other than for the enforcement of child support orders in effect in the State,

unless section 7(a) of the Privacy Act of 1974 does not prohibit the State from requiring the disclosure of such number, by reason of the State having adopted, before January 1, 1975, a statute or regulation requiring such disclosure."; and

(2) in clause (ii)—

(A) by striking "clause (i) of this subparagraph" and inserting in lieu thereof "subclause (I) of clause (i)"; and

(B) by adding at the end the following new sentence: "If and to the extent that any such provision is inconsistent with the requirement set forth in subclause (II) of clause (i), such provision shall, on and after the date of the enactment of such subclause, be null, void, and of no effect.".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall become effective on the first day of the 25th month which begins on or after the date of the enactment of this Act.

SEC. 126. COMMISSION ON INTERSTATE CHILD SUPPORT.

(a) ESTABLISHMENT OF COMMISSION.—There is hereby established a Commission to be known as the Commission on Interstate Child Support (in this section referred to as the "Commission") to be composed of 15 members appointed in accordance with subsection (b)(1).

(b) APPOINTMENT AND TERM OF MEMBERS; VACANCIES; TRANSACTION OF BUSINESS.—(1) Members of the Commission shall be appointed as follows from among individuals knowledgeable in matters involving interstate child support:

(A) Four members shall be appointed jointly by the Majority and Minority Leaders of the Senate, in consultation with the chairman and ranking minority member of the Committee on Finance of the Senate.

(B) Four members shall be appointed jointly by the Speaker of the House and the Minority Leader of the House, in consultation with the chairman and ranking minority member of the Committee on Ways and Means of the House of Representatives.

(C) Seven members shall be appointed by the Secretary of Health and Human Services (in this section referred to as the "Secretary").

(2) Members of the Commission shall serve for the life of the Commission. A vacancy on the Commission shall be filled in the manner in which the original appointment was made and shall not affect the powers or duties of the Commission.

(3) A majority of the members of the Commission shall constitute a quorum for the transaction of business. Decisions of the Commission shall be according to the vote of a simple majority of those present and voting at a properly called meeting.

(4) The members of the Commission shall be appointed by July 1, 1989. The first meeting of the Commission shall be called by the Secretary as promptly as possible after all such members are appointed. At such meeting, the members of the Commission shall select a chairman from among such members and shall meet thereafter at the call of the chairman or of a majority of the members.

(c) BASIC PAY.—(1) Members of the Commission shall serve as such without pay.

(2) Members of the Commission shall be allowed travel expenses, including a per diem allowance in lieu of subsistence, in the same

manner as persons serving intermittently in the government service are allowed travel expenses under section 5703 of title 5 of the United States Code.

(d) DUTIES OF THE COMMISSION.—(1) During the fiscal year 1990, the Commission shall hold one or more national conferences on interstate child support reform for the purpose of assisting the Commission in preparing the report required under paragraph (2).

(2) Not later than May 1, 1991, the Commission shall submit a report to the Congress that contains recommendations for—

(A) improving the interstate establishment and enforcement of child support awards, and

(B) revising the Uniform Reciprocal Enforcement of Support Act.

(e) POWERS OF THE COMMISSION.—(1) The Commission may use the United States mails in the same manner and upon the same conditions as other departments and agencies of the United States Government.

(2) The Commission may accept, use, and dispose of donations of money and property and may accept such volunteer services of individuals as it deems appropriate.

(3) The Commission may procure supplies, services, and property, and make contracts (but only to the extent or in such amounts as are provided in appropriation Acts).

(4) For purposes of carrying out its duties under subsection (d), the Commission may adopt such rules for its organization and procedures as it deems appropriate.

(f) TERMINATION OF THE COMMISSION.—(1) The Commission shall terminate on July 1, 1991.

(2) Any funds held by the Commission on the date of termination of the Commission shall be deposited in the general fund of the Treasury of the United States and credited as miscellaneous receipts. Any property (other than funds) held by the Commission on such date shall be disposed of as excess or surplus property.

(g) AUTHORIZATION OF APPROPRIATIONS.—For the purpose of carrying out this section, there is authorized to be appropriated $2,000,000.

SEC. 127. COSTS OF INTERSTATE ENFORCEMENT DEMONSTRATIONS EXCLUDED IN COMPUTING INCENTIVE PAYMENTS.

Section 458(d) of the Social Security Act is amended by inserting immediately before the period at the end the following: ", and any amounts expended by the State in carrying out a special project assisted under section 455(e) shall be excluded".

SEC. 128. STUDY OF CHILD-REARING COSTS.

The Secretary of Health and Human Services shall, by grant or contract, conduct a study of the patterns of expenditures on children in 2-parent families, in single-parent families following divorce or separation, and in single-parent families in which the parents were never married, giving particular attention to the relative standards of living in households in which both parents and all of the children do not live together. The Secretary shall submit to the Congress no later than 2 years after the date of the enactment of this Act a full and complete report of the results of such study, including such recommendations as the Secretary may have for legislative, adminis-

trative, and other actions. There are authorized to be appropriated such sums as may be necessary to carry out this section.

SEC. 129. COLLECTION AND REPORTING OF CHILD SUPPORT ENFORCEMENT DATA.

Part D of title IV of the Social Security Act is amended by adding at the end the following new section:

"COLLECTION AND REPORTING OF CHILD SUPPORT ENFORCEMENT DATA

"SEC. 469. (a) The Secretary of Health and Human Services shall collect and maintain, on a fiscal year basis, up-to-date statistics, by State, with respect to each of the services specified in subsection (b) (separately stated in the case of each such service for families receiving aid under plans approved under part A of title IV of the Social Security Act and for families not receiving such aid), on—

"(1) the number of cases in the child support enforcement agency caseload under part D of title IV of such Act which need the service involved; and

"(2) the number of such cases in which the service has actually been provided.

"(b) The services referred to in subsection (a) are—

"(1) paternity determination;

"(2) location of an absent parent for the purpose of establishing a child support obligation;

"(3) establishment of a child support obligation; and

"(4) location of an absent parent for the purpose of enforcing or modifying an established child support obligation.

"(c) For purposes of subsection (a)(2), a service has actually been provided when the task described by the service has been accomplished.".

TITLE II—JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAM

SEC. 201. ESTABLISHMENT AND OPERATION OF PROGRAM.

(a) STATE PLAN REQUIREMENT.—Section 402(a)(19) of the Social Security Act is amended to read as follows:

"(19) provide—

"(A) that the State has in effect and operation a job opportunities and basic skills training program which meets the requirements of part F;

"(B) that—

"(i) the State will (except as otherwise provided in this paragraph or part F), to the extent that the program is available in the political subdivision involved and State resources otherwise permit—

"(I) require all recipients of aid to families with dependent children in such subdivision with respect to whom the State guarantees child care in accordance with section 402(g) to participate in the program; and

"(II) allow applicants for and recipients of aid to families with dependent children who are not re-

quired under subclause (I) to participate in the program to do so on a voluntary basis;

"(ii) in determining the priority of participation by individuals from among those groups described in clauses (i), (ii), (iii), and (iv) of section 403(l)(2)(B), the State will give first consideration to applicants for or recipients of aid to families with dependent children within any such group who volunteer to participate in the program;

"(iii) if an exempt participant drops out of the program without good cause after having commenced participation in the program, he or she shall thereafter not be given priority so long as other individuals are actively seeking to participate; and

"(iv) the State need not require or allow participation of an individual in the program if as a result of such participation the amount payable to the State for quarters in a fiscal year with respect to the program would be reduced pursuant to section 403(l)(2);

"(C) that an individual may not be required to participate in the program if such individual—

"(i) is ill, incapacitated, or of advanced age;

"(ii) is needed in the home because of the illness or incapacity of another member of the household;

"(iii) subject to subparagraph (D)—

"(I) is the parent or other relative of a child under 3 years of age (or, if so provided in the State plan, under any age that is less than 3 years but not less than one year) who is personally providing care for the child, or

"(II) is the parent or other relative personally providing care of a child under 6 years of age, if the State assures that child care in accordance with section 402(g) will be guaranteed and that participation in the program by the parent or relative will not be required for more than 20 hours a week;

"(iv) works 30 or more hours a week;

"(v) is a child who is under age 16 or attends, full-time, an elementary, secondary, or vocational (or technical) school;

"(vi) is pregnant if it has been medically verified that the child is expected to be born in the month in which such participation would otherwise be required or within the 6-month period immediately following such month; or

"(vii) resides in an area of the State where the program is not available;

"(D) that, in the case of a family eligible for aid to families with dependent children by reason of the unemployment of the parent who is the principal earner, subparagraph (C)(iii) shall apply only to one parent, except that, in the case of such a family, the State may at its option make such subparagraph inapplicable to both of the parents (and

require their participation in the program) if child care in accordance with section 402(g) is guaranteed with respect to the family;

"(E) that—

"(i) to the extent that the program is available in the political subdivision involved and State resources otherwise permit, in the case of a custodial parent who has not attained 20 years of age, has not successfully completed a high-school education (or its equivalent), and is required to participate in the program (including an individual who would otherwise be exempt from participation in the program solely by reason of subparagraph (C)(iii)), the State agency (subject to clause (ii)) will require such parent to participate in an educational activity; and

"(ii) the State agency may—

"(I) require a parent described in clause (i) (notwithstanding the part-time requirement in subparagraph (C)(iii)(II)) to participate in educational activities directed toward the attainment of a high school diploma or its equivalent on a full-time (as defined by the educational provider) basis,

"(II) establish criteria in accordance with regulations of the Secretary under which custodial parents described in clause (i) who have not attained 18 years of age may be exempted from the school attendance requirement under such clause, or

"(III) require a parent described in clause (i) who is age 18 or 19 to participate in training or work activities (in lieu of the educational activities under such clause) if such parent fails to make good progress in successfully completing such educational activities or if it is determined (prior to any assignment of the individual to such educational activities) pursuant to an educational assessment that participation in such educational activities is inappropriate for such parent;

"(F) that—

"(i) if the parent or other caretaker relative or any dependent child in the family is attending (in good standing) an institution of higher education (as defined in section 481(a) of the Higher Education Act of 1965), or a school or course of vocational or technical training (not less than half time) consistent with the individual's employment goals, and is making satisfactory progress in such institution, school, or course, at the time he or she would otherwise commence participation in the program under this section, such attendance may constitute satisfactory participation in the program (by that caretaker or child) so long as it continues and is consistent with such goals;

"(ii) any other activities in which an individual described in clause (i) participates may not be permitted

to interfere with the school or training described in that clause;

"(iii) the costs of such school or training shall not constitute federally reimbursable expenses for purposes of section 403; and

"(iv) the costs of day care, transportation, and other services which are necessary (as determined by the State agency) for such attendance in accordance with section 402(g) are eligible for Federal reimbursement;

"(G) that—

"(i) if an individual who is required by the provisions of this paragraph to participate in the program or who is so required by reason of the State's having exercised the option under subparagraph (D) fails without good cause to participate in the program or refuses without good cause to accept employment in which such individual is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined to be a bona fide offer of employment—

"(I) the needs of such individual (whether or not section 407 applies) shall not be taken into account in making the determination with respect to his or her family under section 402(a)(7), and if such individual is a parent or other caretaker relative, payments of aid for any dependent child in the family in the form of payments of the type described in section 406(b)(2) (which in such a case shall be without regard to clauses (A) through (D) thereof) will be made unless the State agency, after making reasonable efforts, is unable to locate an appropriate individual to whom such payments can be made; and

"(II) if such individual is a member of a family which is eligible for aid to families with dependent children by reason of section 407, and his or her spouse is not participating in the program, the needs of such spouse shall also not be taken into account in making such determination;

"(ii) any sanction described in clause (i) shall continue—

"(I) in the case of the individual's first failure to comply, until the failure to comply ceases;

"(II) in the case of the individual's second failure to comply, until the failure to comply ceases or 3 months (whichever is longer); and

"(III) in the case of any subsequent failure to comply, until the failure to comply ceases or 6 months (whichever is longer);

"(iii) the State will promptly remind any individual whose failure to comply has continued for 3 months, in writing, of the individual's option to end the sanction by terminating such failure; and

"(iv) no sanction shall be imposed under this subparagraph—

"(I) on the basis of the refusal of an individual described in subparagraph (C)(iii)(II) to accept employment, if the employment would require such individual to work more than 20 hours a week, or

"(II) on the basis of the refusal of an individual to participate in the program or accept employment, if child care (or day care for any incapacitated individual living in the same home as a dependent child) is necessary for an individual to participate in the program or accept employment, such care is not available, and the State agency fails to provide such care; and

"(H) the State agency may require a participant in the program to accept a job only if such agency assures that the family of such participant will experience no net loss of cash income resulting from acceptance of the job; and any costs incurred by the State agency as a result of this subparagraph shall be treated as expenditures with respect to which section 403(a)(1) or 403(a)(2) applies;".

(b) ESTABLISHMENT AND OPERATION OF PROGRAM.—Title IV of such Act is further amended by adding at the end the following new part:

"PART F—JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAM

"PURPOSE AND DEFINITIONS

"SEC. 481. (a) PURPOSE.—It is the purpose of this part to assure that needy families with children obtain the education, training, and employment that will help them avoid long-term welfare dependence.

"(b) MEANING OF TERMS.—Except to the extent otherwise specifically indicated, terms used in this part shall have the meanings given them in or under part A.

"ESTABLISHMENT AND OPERATION OF STATE PROGRAMS

"SEC. 482. (a) STATE PLANS FOR JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAMS.—(1)(A) As a condition of its participation in the program of aid to families with dependent children under part A, each State shall establish and operate a job opportunities and basic skills training program (in this part referred to as the 'program') under a plan approved by the Secretary as meeting all of the requirements of this part and section 402(a)(19), and shall, in accordance with regulations prescribed by the Secretary, periodically (but not less frequently than every 2 years) review and update its plan and submit the updated plan for approval by the Secretary.

"(B) A State plan for establishing and operating the program must describe how the State intends to implement the program during the period covered by the plan, and must indicate, through cross-references to the appropriate provisions of this part and part A, that the program will be operated in accordance with such provi-

sions of law. In addition, such plan must contain (i) an estimate of the number of persons to be served by the program, (ii) a description of the services to be provided within the State and the political subdivisions thereof, the needs to be addressed through the provision of such services, the extent to which such services are expected to be made available by other agencies on a nonreimbursable basis, and the extent to which such services are to be provided or funded by the program, and (iii) such additional information as the Secretary may require by regulation to enable the Secretary to determine that the State program will meet all of the requirements of this part and part A.

"(C) The Secretary shall consult with the Secretary of Labor on general plan requirements and on criteria to be used in approving State plans under this section.

"(D)(i) Not later than October 1, 1992, each State shall make the program available in each political subdivision of such State where it is feasible to do so, after taking into account the number of prospective participants, the local economy, and other relevant factors.

"(ii) If a State determines that it is not feasible to make the program available in each such subdivision, the State plan must provide appropriate justification to the Secretary.

"(2) The State agency that administers or supervises the administration of the State's plan approved under section 402 shall be responsible for the administration or supervision of the administration of the State's program.

"(3) Federal funds made available to a State for purposes of the program shall not be used to supplant non-Federal funds for existing services and activities which promote the purpose of this part. State or local funds expended for such purpose shall be maintained at least at the level of such expenditures for the fiscal year 1986.

"(b) ASSESSMENT AND REVIEW OF NEEDS AND SKILLS OF PARTICIPANTS; FAMILY SUPPORT PLAN.—(1)(A) The State agency must make an initial assessment of the educational, child care, and other supportive services needs as well as the skills, prior work experience, and employability of each participant in the program under this part, including a review of the family circumstances. The agency may also review the needs of any child of the participant.

"(B) On the basis of such assessment, the State agency, in consultation with the participant, shall develop an employability plan for the participant. The employability plan shall explain the services that will be provided by the State agency and the activities in which the participant will take part under the program, including child care and other supportive services, shall set forth an employment goal for the participant, and shall, to the maximum extent possible and consistent with this section, reflect the respective preferences of such participants. The plan must take into account the participant's supportive services needs, available program resources, and local employment opportunities. The employability plan shall not be considered a contract.

"(2) Following the initial assessment and review and the development of the employability plan with respect to any participant in the program, the State agency may require the participant (or the adult caretaker in the family of which the participant is a member) to negotiate and enter into an agreement with the State agency that

specifies such matters as the participant's obligations under the program, the duration of participation in the program, and the activities to be conducted and the services to be provided in the course of such participation. If the State agency exercises the option under the preceding sentence, the State agency must give the participant such assistance as he or she may require in reviewing and understanding the agreement.

"(3) The State agency may assign a case manager to each participant and the participant's family. The case manager so assigned must be responsible for assisting the family to obtain any services which may be needed to assure effective participation in the program.

"(c) PROVISION OF PROGRAM AND EMPLOYMENT INFORMATION.—(1) The State agency must ensure that all applicants for and recipients of aid to families with dependent children are encouraged, assisted, and required to fulfill their responsibilities to support their children by preparing for, accepting, and retaining such employment as they are capable of performing.

"(2) The State agency must inform all applicants for and recipients of aid to families with dependent children of the education, employment, and training opportunities, and the support services (including child care and health coverage transition options), for which they are eligible, the obligations of the State agency, and the rights, responsibilities, and obligations of participants in the program.

"(3) The State agency must—

"(A) provide (directly or through arrangements with others) information on the types and locations of child care services reasonably accessible to participants in the program,

"(B) inform participants that assistance is available to help them select appropriate child care services, and

"(C) on request, provide assistance to participants in obtaining child care services.

"(4) The State agency must inform applicants for and recipients of aid to families with dependent children of the grounds for exemption from participation in the program and the consequences of refusal to participate if not exempt, and provide other appropriate information with respect to such participation.

"(5) Within one month after the State agency gives a recipient of aid to families with dependent children the information described in the preceding provisions of this paragraph, the State agency must notify such recipient of the opportunity to indicate his or her desire to participate in the program, including a clear description of how to enter the program.

"(d) SERVICES AND ACTIVITIES UNDER THE PROGRAM.—(1)(A) In carrying out the program, each State shall make available a broad range of services and activities to aid in carrying out the purpose of this part. Such services and activities—

"(i) shall include—

"(I) educational activities (as appropriate), including high school or equivalent education (combined with training as needed), basic and remedial education to achieve a basic literacy level, and education for individuals with limited English proficiency;

"(II) job skills training;

"(III) job readiness activities to help prepare participants for work; and

"(IV) job development and job placement; and

"(ii) must also include at least 2 of the following:

"(I) group and individual job search as described in subsection (g);

"(II) on-the-job training;

"(III) work supplementation programs as described in subsection (e); and

"(IV) community work experience programs as described in subsection (f) or any other work experience program approved by the Secretary.

"(B) The State may also offer to participants under the program (i) postsecondary education in appropriate cases, and (ii) such other education, training, and employment activities as may be determined by the State and allowed by regulations of the Secretary.

"(2) If the State requires an individual who has attained the age of 20 years and has not earned a high school diploma (or equivalent) to participate in the program, the State agency shall include educational activities consistent with his or her employment goals as a component of the individual's participation in the program, unless the individual demonstrates a basic literacy level, or the employability plan for the individual identifies a long-term employment goal that does not require a high school diploma (or equivalent). Any other services or activities to which such a participant is assigned may not be permitted to interfere with his or her participation in an appropriate educational activity under this subparagraph.

"(e) WORK SUPPLEMENTATION PROGRAM.—(1) Any State may institute a work supplementation program under which such State, to the extent it considers appropriate, may reserve the sums that would otherwise be payable to participants in the program as aid to families with dependent children and use such sums instead for the purpose of providing and subsidizing jobs for such participants (as described in paragraph (3)(C) (i) and (ii)), as an alternative to the aid to families with dependent children that would otherwise be so payable to them.

"(2)(A) Notwithstanding section 406 or any other provision of law, Federal funds may be paid to a State under part A, subject to this subsection, with respect to expenditures incurred in operating a work supplementation program under this subsection.

"(B) Nothing in this part, or in any State plan approved under part A, shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate) a work supplementation program in accordance with this subsection and section 484.

"(C) Notwithstanding section 402(a)(23) or any other provision of law, a State may adjust the levels of the standards of need under the State plan as the State determines to be necessary and appropriate for carrying out a work supplementation program under this subsection.

"(D) Notwithstanding section 402(a)(1) or any other provision of law, a State operating a work supplementation program under this

subsection may provide that the need standards in effect in those areas of the State in which such program is in operation may be different from the need standards in effect in the areas in which such program is not in operation, and such State may provide that the need standards for categories of recipients may vary among such categories to the extent the State determines to be appropriate on the basis of ability to participate in the work supplementation program.

"(E) Notwithstanding any other provision of law, a State may make such further adjustments in the amounts of the aid to families with dependent children paid under the plan to different categories of recipients (as determined under subparagraph (D)) in order to offset increases in benefits from needs-related programs (other than the State plan approved under part A) as the State determines to be necessary and appropriate to further the purposes of the work supplementation program.

"(F) In determining the amounts to be reserved and used for providing and subsidizing jobs under this subsection as described in paragraph (1), the State may use a sampling methodology.

"(G) Notwithstanding section 402(a)(8) or any other provision of law, a State operating a work supplementation program under this subsection (i) may reduce or eliminate the amount of earned income to be disregarded under the State plan as the State determines to be necessary and appropriate to further the purposes of the work supplementation program, and (ii) during one or more of the first 9 months of an individual's employment pursuant to a program under this section, may apply to the wages of the individual the provisions of subparagraph (A)(iv) of section 402(a)(8) without regard to the provisions of subparagraph (B)(ii)(II) of such section.

"(3)(A) A work supplementation program operated by a State under this subsection may provide that any individual who is an eligible individual (as determined under subparagraph (B)) shall take a supplemented job (as defined in subparagraph (C)) to the extent that supplemented jobs are available under the program. Payments by the State to individuals or to employers under the work supplementation program shall be treated as expenditures incurred by the State for aid to families with dependent children except as limited by paragraph (4).

"(B) For purposes of this subsection, an eligible individual is an individual who is in a category which the State determines should be eligible to participate in the work supplementation program, and who would, at the time of placement in the job involved, be eligible for aid to families with dependent children under an approved State plan if such State did not have a work supplementation program in effect.

"(C) For purposes of this section, a supplemented job is—

> *"(i) a job provided to an eligible individual by the State or local agency administering the State plan under part A; or*
>
> *"(ii) a job provided to an eligible individual by any other employer for which all or part of the wages are paid by such State or local agency.*

A State may provide or subsidize under the program any job which such State determines to be appropriate.

"(4) The amount of the Federal payment to a State under section 403 for expenditures incurred in making payments to individuals

and employers under a work supplementation program under this subsection shall not exceed an amount equal to the amount which would otherwise be payable under such section if the family of each individual employed in the program established in such State under this subsection had received the maximum amount of aid to families with dependent children payable under the State plan to such a family with no income (without regard to adjustments under paragraph (2)) for the lesser of (A) 9 months, or (B) the number of months in which such individual was employed in such program.

"(5)(A) Nothing in this subsection shall be construed as requiring the State or local agency administering the State plan to provide employee status to an eligible individual to whom it provides a job under the work supplementation program (or with respect to whom it provides all or part of the wages paid to the individual by another entity under such program), or as requiring any State or local agency to provide that an eligible individual filling a job position provided by another entity under such program be provided employee status by such entity during the first 13 weeks such individual fills that position.

"(B) Wages paid under a work supplementation program shall be considered to be earned income for purposes of any provision of law.

"(6) Any State that chooses to operate a work supplementation program under this subsection shall provide that any individual who participates in such program, and any child or relative of such individual (or other individual living in the same household as such individual) who would be eligible for aid to families with dependent children under the State plan approved under part A if such State did not have a work supplementation program, shall be considered individuals receiving aid to families with dependent children under the State plan approved under part A for purposes of eligibility for medical assistance under the State plan approved under title XIX.

"(7) No individual receiving aid to families with dependent children under a State plan shall be excused by reason of the fact that such State has a work supplementation program from any requirement of this part relating to work requirements, except during periods in which such individual is employed under such work supplementation program.

"(f) COMMUNITY WORK EXPERIENCE PROGRAM.—(1)(A) Any State may establish a community work experience program in accordance with this subsection. The purpose of the community work experience program is to provide experience and training for individuals not otherwise able to obtain employment, in order to assist them to move into regular employment. Community work experience programs shall be designed to improve the employability of participants through actual work experience and training and to enable individuals employed under community work experience programs to move promptly into regular public or private employment. The facilities of the State public employment offices may be utilized to find employment opportunities for recipients under this program. Community work experience programs shall be limited to projects which serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety,

and day care. To the extent possible, the prior training, experience, and skills of a recipient shall be used in making appropriate work experience assignments.

"(B)(i) A State that elects to establish a community work experience program under this subsection shall operate such program so that each participant (as determined by the State) either works or undergoes training (or both) with the maximum number of hours that any such individual may be required to work in any month being a number equal to the amount of the aid to families with dependent children payable with respect to the family of which such individual is a member under the State plan approved under this part, divided by the greater of the Federal minimum wage or the applicable State minimum wage (and the portion of a recipient's aid for which the State is reimbursed by a child support collection shall not be taken into account in determining the number of hours that such individual may be required to work).

"(ii) After an individual has been assigned to a position in a community work experience program under this subsection for 9 months, such individual may not be required to continue in that assignment unless the maximum number of hours of participation is no greater than (I) the amount of the aid to families with dependent children payable with respect to the family of which such individual is a member under the State plan approved under this part (excluding any portion of such aid for which the State is reimbursed by a child support payment), divided by (II) the higher of (a) the Federal minimum wage or the applicable State minimum wage, whichever is greater, or (b) the rate of pay for individuals employed in the same or similar occupations by the same employer at the same site.

"(C) Nothing contained in this subsection shall be construed as authorizing the payment of aid to families with dependent children as compensation for work performed, nor shall a participant be entitled to a salary or to any other work or training expense provided under any other provision of law by reason of his participation in a program under this subsection.

"(D) Nothing in this part or in any State plan approved under this part shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate) a community work experience program in accordance with this subsection and subsection (d).

"(E) Participants in community work experience programs under this subsection may perform work in the public interest (which otherwise meets the requirements of this subsection) for a Federal office or agency with its consent, and, notwithstanding section 1342 of title 31, United States Code, or any other provision of law, such agency may accept such services, but such participants shall not be considered to be Federal employees for any purpose.

"(2) After each 6 months of an individual's participation in a community work experience program under this subsection, and at the conclusion of each assignment of the individual under such program, the State agency must provide a reassessment and revision, as appropriate, of the individual's employability plan.

"(3) The State agency shall provide coordination among a community work experience program operated pursuant to this subsection, any program of job search under subsection (g), and the other em-

ployment-related activities under the program established by this section so as to insure that job placement will have priority over participation in the community work experience program, and that individuals eligible to participate in more than one such program are not denied aid to families with dependent children on the grounds of failure to participate in one such program if they are actively and satisfactorily participating in another. The State agency may provide that part-time participation in more than one such program may be required where appropriate.

"(4) In the case of any State that makes expenditures in the form described in paragraph (1) under its State plan approved under section 482(a)(1), expenditures for the operation and administration of the program under this section may not include, for purposes of section 403, the cost of making or acquiring materials or equipment in connection with the work performed under a program referred to in paragraph (1) or the cost of supervision of work under such program, and may include only such other costs attributable to such programs as are permitted by the Secretary.

"(g) JOB SEARCH PROGRAM.—(1) The State agency may establish and carry out a program of job search for individuals participating in the program under this part.

"(2) Notwithstanding section 402(a)(19)(B)(i)(I), the State agency may require job search by an individual applying for or receiving aid to families with dependent children (other than an individual described in section 402(a)(19)(C) who is not an individual with respect to whom section 402(a)(19)(D) applies)—

"(A) subject to the next to last sentence of this paragraph, beginning at the time such individual applies for aid to families with dependent children and continuing for a period (prescribed by the State) of not more than 8 weeks (but this requirement may not be used as a reason for any delay in making a determination of an individual's eligibility for such aid or in issuing a payment to or on behalf of any individual who is otherwise eligible for such aid); and

"(B) at such time or times after the close of the period prescribed under subparagraph (A) as the State agency may determine but not to exceed a total of 8 weeks in any period of 12 consecutive months.

In no event may an individual be required to participate in job search for more than 3 weeks before the State agency conducts the assessment and review with respect to such individual under subsection (b)(1)(A). Job search activities in addition to those required under the preceding provisions of this paragraph may be required only in combination with some other education, training, or employment activity which is designed to improve the individual's prospects for employment.

"(3) Job search by an individual under this subsection shall in no event be treated, for any purpose, as an activity under the program if the individual has participated in such job search for 4 months out of the preceding 12 months.

"(h) DISPUTE RESOLUTION PROCEDURES.—Each State shall establish a conciliation procedure for the resolution of disputes involving an individual's participation in the program and (if the dispute involved is not resolved through conciliation) shall provide an oppor-

tunity for a hearing with respect to the dispute, which hearing may be provided through a hearing process established for purposes of resolving disputes with respect to the program or through the provision of a hearing pursuant to section 402(a)(4); but in no event shall aid to families with dependent children be suspended, reduced, discontinued, or terminated as a result of a dispute involving an individual's participation in the program until such individual has an opportunity for a hearing that meets the standards set forth by the United States Supreme Court in Goldberg v. Kelly, 397 U.S. 254 (1970).

"(i) SPECIAL PROVISIONS RELATING TO INDIAN TRIBES.—(1) Within 6 months after the date of the enactment of the Family Support Act of 1988, an Indian tribe or Alaska Native organization may apply to the Secretary to conduct a job opportunities and basic skills training program to carry out the purpose of this subsection. If the Secretary approves such tribe's or organization's application, the maximum amount that may be paid to the State under section 403(l) in which such tribe or organization is located shall be reduced by the Secretary in accordance with paragraph (2) and an amount equal to the amount of such reduction shall be paid directly to such tribe or organization without the requirement of any nonfederal share) for the operation of such program. In determining whether to approve an application from an Alaska Native organization, the Secretary shall consider whether approval of the application would promote the efficient and nonduplicative administration of job opportunities and basic skills training programs in the State.

"(2) The amount of the reduction under paragraph (1) with respect to any State in which is located an Indian tribe or Alaska Native organization with an application approved under such paragraph shall be an amount equal to the amount that bears the same ratio to the maximum amount that could be paid under section 403(k) to the State as—

"(A) the number of adult members of such Indian tribe receiving aid to families with dependent children bears to the number of all such adult recipients in the State, or

"(B) the number of adult Alaska Natives receiving aid to families with dependent children who reside within the boundaries of such Alaska Native organization bears to the number of all such adult recipients in the State of Alaska.

"(3) The job opportunities and basic skills training program set forth in the application of an Indian tribe or Alaska Native organization under paragraph (1) need not meet any requirement of the program under this part or under section 402(a)(19) that the Secretary determines is inappropriate with respect to such job opportunities and basic skills training program.

"(4) The job opportunities and basic skills training program of any Indian tribe or Alaska Native organization may be terminated voluntarily by such tribe or Alaska Native organization or may be terminated by the Secretary upon a finding that the tribe or Alaska Native organization is not conducting such program in substantial conformity with the terms of the application approved by the Secretary, and the maximum amount that may be paid under section 403(k) to the State within which the tribe or Alaska Native organization is located (as reduced pursuant to paragraph (1)) shall be in-

creased by any portion of the amount retained by the Secretary with respect to such program (and not payable to such tribe or Alaska Native organization for obligations already incurred). The reduction under paragraph (1) shall in no event apply to a State for any fiscal year beginning after such program is terminated if no other such program remains in operation in the State.

"(5) For purposes of this subsection, an Indian tribe is any tribe, band, nation, or other organized group or community of Indians that—

"(A) is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians; and

"(B) for which a reservation (as defined in paragraph (6)) exists.

"(6) For purposes of this subsection, a reservation includes Indian reservations, public domain Indian allotments, and former Indian reservations in Oklahoma.

"(7) For purposes of this subsection—

"(A) an Alaska Native organization is any organized group of Alaska Natives eligible to operate a Federal program under Public Law 93–638 or such group's designee;

"(B) the boundaries of an Alaska Native organization shall be those of the geographical region, established pursuant to section 7(a) of the Alaska Native Claims Settlement Act, within which the Alaska Native organization is located (without regard to the ownership of the land within the boundaries);

"(C) the Secretary may approve only one application from an Alaska Native organization for each of the 12 geographical regions established pursuant to section 7(a) of the Alaska Native Claims Settlement Act; and

"(D) any Alaska Native, otherwise eligible or required to participate in a job opportunities and basic skills training program, residing within the boundaries of an Alaska Native organization whose application has been approved by the Secretary, shall be eligible to participate in the job opportunities and basic skills training program administered by such Alaska Native organization.

"(8) Nothing in this subsection shall be construed to grant or defer any status or powers other than those expressly granted in this subsection or to validate or invalidate any claim by Alaska Natives of sovereign authority over lands or people.

"COORDINATION REQUIREMENTS

"SEC. 483. (a)(1) The Governor of each State shall assure that program activities under this part are coordinated in that State with programs operated under the Job Training Partnership Act and with any other relevant employment, training, and education programs available in that State. Appropriate components of the State's plan developed under section 482(a)(1) which relate to job training and work preparation shall be consistent with the coordination criteria specified in the Governor's coordination and special services plan required under section 121 of the Job Training Partnership Act.

"(2) The State plan so developed shall be submitted to the State job training coordinating council not less than 60 days before its submission to the Secretary, for the purpose of review and comment by the council. Concurrent with submission of the plan to the State job training coordinating council, the proposed State plan shall be published and made reasonably available to the general public through local news facilities and public announcements, in order to provide the opportunity for review and comment.

"(3) The comments and recommendations of the State job training coordinating council under subparagraph (B) shall be transmitted to the Governor of the State.

"(b) The Secretary of Health and Human Services shall consult with the Secretaries of Education and Labor on a continuing basis for the purpose of assuring the maximum coordination of education and training services in the development and implementation of the program under this part.

"(c) The State agency responsible for administering or supervising the administration of the State plan approved under part A shall consult with the State education agency and the agency responsible for administering job training programs in the State in order to promote coordination of the planning and delivery of services under the program with programs operated under the Job Training Partnership Act and with education programs available in the State (including any program under the Adult Education Act or Carl D. Perkins Vocational Education Act).

"PROVISIONS GENERALLY APPLICABLE TO PROVISION OF SERVICES

"SEC. 484. (a) In assigning participants in the program under this part to any program activity, the State agency shall assure that—

"(1) each assignment takes into account the physical capacity, skills, experience, health and safety, family responsibilities, and place of residence of the participant;

"(2) no participant will be required, without his or her consent, to travel an unreasonable distance from his or her home or remain away from such home overnight;

"(3) individuals are not discriminated against on the basis of race, sex, national origin, religion, age, or handicapping condition, and all participants will have such rights as are available under any applicable Federal, State, or local law prohibiting discrimination;

"(4) the conditions of participation are reasonable, taking into account in each case the proficiency of the participant and the child care and other supportive services needs of the participant; and

"(5) each assignment is based on available resources, the participant's circumstances, and local employment opportunities.

"(b) Appropriate workers' compensation and tort claims protection must be provided to participants on the same basis as they are provided to other individuals in the State in similar employment (as determined under regulations of the Secretary).

"(c) No work assignment under the program shall result in—

"(1) the displacement of any currently employed worker or position (including partial displacement such as a reduction in

the hours of nonovertime work, wages, or employment benefits), or result in the impairment of existing contracts for services or collective bargaining agreements;

"(2) the employment or assignment of a participant or the filling of a position when (A) any other individual is on layoff from the same or any equivalent position, or (B) the employer has terminated the employment of any regular employee or otherwise reduced its workforce with the effect of filling the vacancy so created with a participant subsidized under the program; or

"(3) any infringement of the promotional opportunities of any currently employed individual.

Funds available to carry out the program under this part may not be used to assist, promote, or deter union organizing. No participant may be assigned under section 482(e) or (f) to fill any established unfilled position vacancy.

"(d)(1) The State shall establish and maintain (pursuant to regulations jointly issued by the Secretary and the Secretary of Labor) a grievance procedure for resolving complaints by regular employees or their representatives that the work assignment of an individual under the program violates any of the prohibitions described in subsection (b). A decision of the State under such procedure may be appealed to the Secretary of Labor for investigation and such action as such Secretary may find necessary.

"(2) The State shall hear complaints with respect to working conditions and workers' compensation, and wage rates in the case of individuals participating in community work experience programs described in section 482(f), under the State's fair hearing process. A decision of the State under such process may be appealed to the Secretary of Labor under such conditions as the joint regulations issued under subsection (e) may provide.

"(e) The provisions of this section apply to any work-related programs and activities under this part, and under any other work-related programs and activities authorized (in connection with the AFDC program) under section 1115.

"(f) The Secretary of Health and Human Services and the Secretary of Labor shall jointly prescribe and issue regulations for the purpose of implementing and carrying out the provisions of this section, in accordance with the timetable established in section 203(a) of the Family Support Act of 1988.

"CONTRACT AUTHORITY

"SEC. 485. (a) The State agency that administers or supervises the administration of the State's plan approved under section 402 shall carry out the programs under this part directly or through arrangements or under contracts with administrative entities under section 4(2) of the Job Training Partnership Act, with State and local educational agencies, and with other public agencies or private organizations (including community-based organizations as defined in section 4(5) of such Act).

"(b) Arrangements and contracts entered into under subsection (a) may cover any service or activity (including outreach) to be made

available under the program to the extent that the service or activity is not otherwise available on a nonreimbursable basis.

"(c) The State agency and private industry councils (as established under section 102 of the Job Training Partnership Act) shall consult on the development of arrangements and contracts under the program established under a plan approved under section 482(b)(1), and under programs established under such Act.

"(d) In selecting service providers, the State agency shall take into account appropriate factors which may include past performance in providing similar services, demonstrated effectiveness, fiscal accountability, ability to meet performance standards, and such other factors as the State may determine to be appropriate.

"(e) The State agency shall use the services of each private industry council to identify and provide advice on the types of jobs available or likely to become available in the service delivery area (as defined in the Job Training Partnership Act) of the council, and shall ensure that the State program provides training in any area for jobs of a type which are, or are likely to become, available in the area.

"INITIAL STATE EVALUATIONS

"SEC. 486. (a) With the objective of—

"(1) providing an in-depth assessment of potential participants in the program under this part in each State, so as to furnish an accurate picture on which to base estimates of future demands for services in conducting such program and to improve the efficiency of targeting under such program,

"(2) assuring that training for recipients of aid under such program will be realistically geared to labor market demands and that the program will produce individuals with marketable skills, while avoiding duplication and redundancy in the delivery of services, and

"(3) otherwise assuring that States will have the information needed to carry out the purposes of the program,

each State may undertake and carry out an evaluation of demographic characteristics of potential participants in the program under this part within the 12-month period beginning on the date of the enactment of the Family Support Act of 1988. Such evaluation shall be carried out in each State by the agency which administers the State's program approved under section 402.

"(b) In carrying out the evaluation under subsection (a) the State shall give particular attention to the current and anticipated demands of the labor market or markets within the State, the types of training which are needed to meet those demands, and any changes in the current service delivery systems which may be needed to satisfy the requirements of the program under this part.

"(c) The evaluation shall be structured so as to produce accurate and usable information on the age, family status, educational and literacy levels, duration of eligibility for aid to families with dependent children, and work experience of the individuals and families who are potential participants in the program under this part, including the actual numbers of such individuals and families in each such category.

"(d) The Secretary of Health and Human Services, in consultation with the Secretary of Labor, shall provide each State with such technical assistance and data as it may need in order to carry out its evaluation under subsection (a); and each State shall transmit its evaluation to the Secretary by the close of the 12-month period specified in such subsection. The Secretary of Health and Human Services shall take such evaluations into account in developing performance standards.

"(e) As used in this section, the term 'potential participants' with respect to any State's program under this part means collectively all individuals in such State who are recipients of aid to families with dependent children under part A and who are members of the target populations identified in section 403(l)(2).".

(c) SEPARATE FUNDING FOR JOBS PROGRAM; FEDERAL FINANCIAL PARTICIPATION.—(1) Section 403 of such Act is amended by adding at the end the following new subsection:

"(k)(1) Each State with a plan approved under part F shall be entitled to payments under subsection (l) for any fiscal year in an amount equal to the sum of the applicable percentages (specified in such subsection) of its expenditures to carry out the program under part F (subject to limitations prescribed by or pursuant to such part or this section on expenditures that may be included for purposes of determining payment under subsection (l)), but such payments for any fiscal year in the case of any State may not exceed the limitation determined under paragraph (2) with respect to the State.

"(2) The limitation determined under this paragraph with respect to a State for any fiscal year is—

"(A) the amount allotted to the State for fiscal year 1987 under part C of this title as then in effect, plus

"(B) the amount that bears the same ratio to the amount specified in paragraph (3) for such fiscal year as the average monthly number of adult recipients (as defined in paragraph (4)) in the State in the preceding fiscal year bears to the average monthly number of such recipients in all the States for such preceding year.

"(3) The amount specified in this paragraph is—

"(A) $600,000,000 in the case of the fiscal year 1989,

"(B) $800,000,000 in the case of the fiscal year 1990,

"(C) $1,000,000,000 in the case of each of the fiscal years 1991, 1992, and 1993,

"(D) $1,100,000,000 in the case of the fiscal year 1994,

"(E) $1,300,000,000 in the case of the fiscal year 1995, and

"(F) $1,000,000,000 in the case of the fiscal year 1996 and each succeeding fiscal year,

reduced by the aggregate amount allotted to all the States for fiscal year 1987 pursuant to part C of this title as then in effect.

"(4) For purposes of this subsection, the term 'adult recipient' in the case of any State means an individual other than a dependent child (unless such child is the custodial parent of another dependent child) whose needs are met (in whole or in part) with payments of aid to families with dependent children.

"(5) None of the funds available to a State for purposes of the programs or activities conducted under part F shall be used for construction.".

(2) Section 403 of such Act (as amended by paragraph (1) of this subsection) is further amended by adding at the end the following new subsection:

"(l)(1)(A) In lieu of any payment under subsection (a), the Secretary shall pay to each State with a plan approved under section 482(a) (subject to the limitation determined under section 482(i)(2)) with respect to expenditures by the State to carry out a program under part F (including expenditures for child care under section 402(g)(1)(A), but only in the case of a State with respect to which section 1108 applies), an amount equal to—

"(i) with respect to so much of such expenditures in a fiscal year as do not exceed the State's expenditures in the fiscal year 1987 with respect to which payments were made to such State from its allotment for such fiscal year pursuant to part C of this title as then in effect, 90 percent; and

"(ii) with respect to so much of such expenditures in a fiscal year as exceed the amount described in clause (i)—

"(I) 50 percent, in the case of expenditures for administrative costs made by a State in operating such a program for such fiscal year (other than the personnel costs for staff employed full-time in the operation of such program) and the costs of transportation and other work-related supportive services under section 402(g)(2), and

"(II) the greater of 60 percent or the Federal medical assistance percentage (as defined in section 1118 in the case of any State to which section 1108 applies, or as defined in section 1905(b) in the case of any other State), in the case of expenditures made by a State in operating such a program for such fiscal year (other than for costs described in subclause (I)).

"(B) With respect to the amount for which payment is made to a State under subparagraph (A)(i), the State's expenditures for the costs of operating a program established under part F may be in cash or in kind, fairly evaluated.

"(2)(A) Notwithstanding paragraph (1), the Secretary shall pay to a State an amount equal to 50 percent of the expenditures made by such State in operating its program established under part F (in lieu of any different percentage specified in paragraph (1)(A)) if less than 55 percent of such expenditures are made with respect to individuals who are described in subparagraph (B).

"(B) An individual is described in this paragraph if the individual—

"(i)(I) is receiving aid to families with dependent children, and

"(II) has received such aid for any 36 of the preceding 60 months;

"(ii)(I) makes application for aid to families with dependent children, and

"(II) has received such aid for any 36 of the 60 months immediately preceding the most recent month for which application has been made;

"(iii) is a custodial parent under the age of 24 who (I) has not completed a high school education and, at the time of application for aid to families with dependent children, is not enrolled

in high school (or a high school equivalency course of instruction), or (II) had little or no work experience in the preceding year; or

"(iv) is a member of a family in which the youngest child is within 2 years of being ineligible for aid to families with dependent children because of age.

"(C) This paragraph may be waived by the Secretary with respect to any State which demonstrates to the satisfaction of the Secretary that the characteristics of the caseload in that State make it infeasible to meet the requirements of this paragraph, and that the State is targeting other long-term or potential long-term recipients.

"(D) The Secretary shall biennially submit to the Congress any recommendations for modifications or additions to the groups of individuals described in subparagraph (B) that the Secretary determines would further the goal of assisting long-term or potential long-term recipients of aid to families with dependent children to achieve self-sufficiency, which recommendations shall take into account the particular characteristics of the populations of individual States.

"(3)(A) Notwithstanding paragraph (1), the Secretary shall pay to a State an amount equal to 50 percent of the expenditures made by such State in a fiscal year in operating its program established under part F (in lieu of any different percentage specified in paragraph (1)(A)) if the State's participation rate (determined under subparagraph (B)) for the preceding fiscal year does not exceed or equal—

"(i) 7 percent if the preceding fiscal year is 1990;

"(ii) 7 percent if such year is 1991;

"(iii) 11 percent if such year is 1992;

"(iv) 11 percent if such year is 1993;

"(v) 15 percent if such year is 1994; and

"(vi) 20 percent if such year is 1995.

"(B)(i) The State's participation rate for a fiscal year shall be the average of its participation rates for computation periods (as defined in clause (ii)) in such fiscal year.

"(ii) The computation periods shall be—

"(I) the fiscal year, in the case of fiscal year 1990,

"(II) the first six months, and the seventh through twelfth months, in the case of fiscal year 1991,

"(III) the first three months, the fourth through sixth months, the seventh through ninth months, and the tenth through twelfth months, in the case of fiscal years 1992 and 1993, and

"(IV) each month, in the case of fiscal years 1994 and 1995.

"(iii) The State's participation rate for a computation period shall be the number, expressed as a percentage, equal to—

"(I) the average monthly number of individuals required or allowed by the State to participate in the program under part F who have participated in such program in months in the computation period, plus the number of individuals required or allowed by the State to participate in such program who have so participated in that month in such period for which the number of such participants is the greatest, divided by

"(II) twice the average monthly number of individuals required to participate in such period (other than individuals described in subparagraph (C)(iii)(I) or (D) of section 402(a)(19) with respect to whom the State has exercised its option to require their participation).

For purposes of this subparagraph, an individual shall not be considered to have satisfactorily participated in the program under part F solely by reason of such individual being registered to participate in such program.

"(C) Notwithstanding any other provision of this paragraph, no State shall be subject to payment under this paragraph (in lieu of paragraph (1)(A)) for failing to meet any participation rate required under this paragraph with respect to any fiscal year before 1991.

"(D) For purposes of this paragraph, an individual shall be determined to have participated in the program under part F, if such individual has participated in accordance with such requirements, consistent with regulations of the Secretary, as the State shall establish.

"(E) If the Secretary determines that the State has failed to achieve the participation rate for any fiscal year specified in the numbered clauses of subparagraph (A), he may waive, in whole or in part, the reduction in the payment rate otherwise required by such subparagraph if he finds that—

"(i) the State is in conformity with section 402(a)(19);

"(ii) the State has made a good faith effort to achieve the applicable participation rate for such fiscal year; and

"(iii) the State has submitted a proposal which is likely to achieve the applicable participation rate for the current fiscal year and the subsequent fiscal years (if any) specified therein.

"(4)(A)(i) Subject to subparagraph (B), in the case of any family eligible for aid to families with dependent children by reason of the unemployment of the parent who is the principal earner, the State agency shall require that at least one parent in any such family participate, for a total of at least 16 hours a week during any period in which either parent is required to participate in the program, in a work supplementation program, a community work experience or other work experience program, on-the-job training, or a State designed work program approved by the Secretary, as such programs are described in section 482(d)(1). In the case of a parent under age 25 who has not completed high school or an equivalent course of education, the State may require such parent to participate in educational activities directed at the attainment of a high school diploma (or equivalent) in lieu of one or more of the programs specified in the preceding sentence.

"(ii) For purposes of clause (i), an individual participating in a community work experience program under section 482 shall be considered to have met the requirement of such clause if he participates for the number of hours in any month equal to the monthly payment of aid to families with dependent children to the family of which he is a member, divided by the greater of the Federal or the applicable State minimum wage (and the portion of such monthly payment for which the State is reimbursed by a child support collection shall not be taken into account in determining the number of hours that such individual may be required to work).

"(B) The requirement under subparagraph (A) shall not be considered to have been met by any State if the requirement is not met with respect to the following percentages of all families in the State eligible for aid to families with dependent children by reason of the unemployment of the parent who is the principal earner:

"(i) 40 percent, in the case of the average of each month in fiscal year 1994,

"(ii) 50 percent, in the case of the average of each month in fiscal year 1995,

"(iii) 60 percent, in the case of the average of each month in fiscal year 1996, and

"(iv) 75 percent in the case of the average of each month in fiscal year 1997 or 1998.

"(C) The percentage of participants for any month in a fiscal year for purposes of the preceding sentence shall equal the average of—

"(i) the number of individuals described in subparagraph (A)(i) who have met the requirement prescribed therein, divided by

"(ii) the total number of principal earners described in such subparagraph (but excluding those in families who have been recipients of aid for 2 months or less if, during the period that the family received aid, at least one parent engaged in intensive job search).

"(D) If the Secretary determines that the State has failed to meet the requirement under subparagraph (A) (determined with respect to the percentages prescribed in subparagraph (B)), he may waive, in whole or in part, any penalty if he finds that—

"(i) the State is operating a program in conformity with section 402(a)(19) and part F,

"(ii) the State has made a good faith effort to meet the requirement of subparagraph (A) but has been unable to do so because of economic conditions in the State (including significant numbers of recipients living in remote locations or isolated rural areas where the availability of work sites is severely limited, or because of rapid and substantial increases in the caseload than cannot reasonably be planned for, and

"(iii) the State has submitted a proposal which is likely to achieve the required percentage of participants for the subsequent fiscal years.".

(d) STATE EXPENDITURES TO CARRY OUT INITIAL EVALUATIONS.—Section 403(a)(3)(D) of such Act (as amended by section 202(a)(4) of this Act) is further amended by inserting "(including any amounts expended by the State to carry out initial evaluations under section 486(a))" after "such expenditures".

SEC. 202. TECHNICAL AND CONFORMING AMENDMENTS.

(a) REPEAL OF PART C OF TITLE IV.—Part C of title IV of the Social Security Act is repealed.

(b) CHANGES IN PART A OF TITLE IV.—(1) Section 402(a)(8)(A)(iv) of such Act is amended by striking "(but excluding" and all that follows and inserting in lieu thereof a semicolon.

(2) Section 402(a)(9)(A) of such Act is amended—

(A) by inserting "(including activities under part F)" after "this part"; and

(B) by striking "B, C, or D" and inserting in lieu thereof "B or D".

(3) Section 402(a)(35) of such Act is repealed.

(4) Section 403(a)(3) of such Act is amended—

(A) by striking all of subparagraph (D) that follows "such expenditures" and inserting in lieu thereof "; and"; and

(B) in the matter immediately following subparagraph (D), by striking "services furnished" and all that follows through the semicolon and inserting in lieu thereof "services furnished pursuant to section 402(g);".

(5) Section 403(c) of such Act is repealed.

(6) Section 403(d) of such Act is repealed.

(7) Section 407(b)(2)(A) of such Act is amended by striking "will be certified" and all that follows through "within 30 days" and inserting in lieu thereof "will participate or apply for participation in a program under part F (unless the program is not available in the area where the parent is living) within 30 days".

(8) Section 407(b)(2)(C)(i) of such Act is amended—

(A) by striking "section 402(a)(19)(A)" and all that follows through "part C of this title," and inserting in lieu thereof "section 482(c)(2), is not currently participating (or available for participation) in a program under part F,";

(B) by striking "clause (iii)" and inserting in lieu thereof "clause (vii)"; and

(C) by striking "section 432(a)" and inserting in lieu thereof "part F".

(9) Section 407(c) of such Act is amended by striking "to certify such parent" and all that follows and inserting in lieu thereof "to undertake appropriate steps directed towards the participation of such parent in a program under part F.".

(10) Section 407(d)(1) of such Act is amended by striking "participated" and all that follows and inserting in lieu thereof "participated in a program under part F".

(11) Section 407(e) of such Act is amended—

(A) by striking "registering pursuant to section 402(a)(19) for the work incentive program established by part C of this title" in clause (1) and inserting in lieu thereof "participating in a program under part F";

(B) by inserting "participate in or" before "register for"; and

(C) by striking "the work incentive program" in clause (2) and inserting in lieu thereof "part F".

(12) Section 409 of such Act is repealed.

(13) Section 414 of such Act is repealed.

(c) IN OTHER PROVISIONS.—(1) Section 471(a)(8)(A) of such Act is amended by striking "part A, B, C, or D of this title" and inserting in lieu thereof "part A, B, or D of this title (including activities under part F)".

(2) Section 1108(a) of such Act (42 U.S.C. 1308(a)) is amended by inserting "or, in the case of part A of title IV, section 403(k)" before "applies" in the matter preceding paragraph (1).

(3) Section 1108(b) of such Act (42 U.S.C. 1308(b)) is amended by striking "and services provided under section 402(a)(19)".

(4) Section 1902(a)(10)(A)(i)(I) of such Act (42 U.S.C. 1396a(a)(10)(A)(i)(I)) is amended by striking "414(g)" and inserting in lieu thereof "482(e)(6)".

(5) Section 1926(a)(1)(D) of such Act, as redesignated by section 303(a) of this Act, is amended by striking "414(g)" and inserting in lieu thereof "482(e)(6)".

SEC. 203. REGULATIONS; PERFORMANCE STANDARDS; STUDIES.

(a) REGULATIONS.—Not later than 6 months after the date of the enactment of this Act, the Secretary of Health and Human Services (in this section referred to as the "Secretary") shall issue proposed regulations for the purpose of implementing the amendments made by this title, including regulations establishing uniform data collection requirements. The Secretary shall publish final regulations for such purpose not later than one year after the date of the enactment of this Act. Regulations issued under this subsection shall be developed by the Secretary in consultation with the Secretary of Labor and with the responsible State agencies described in section 482(a)(2) of the Social Security Act.

(b) PERFORMANCE STANDARDS.—Part F of title IV of the Social Security Act (as added by section 201(b) of this Act) is amended by adding at the end the following new section:

"PERFORMANCE STANDARDS

"SEC. 487. (a) Not later than 3 years after the effective date specified in section 204(a) of the Family Support Act of 1988, the Secretary shall—

"(1) in consultation with the Secretary of Labor, representatives of organizations representing Governors, State and local program administrators, educators, State job training coordinating councils, community-based organizations, recipients, and other interested persons, develop performance standards with respect to the programs established pursuant to this part that are based, in part, on the results of the studies conducted under section 203(c) of such Act, and the initial State evaluations (if any) performed under section 486; and

"(2) submit his recommendations for performance standards developed under paragraph (1) to the appropriate committees of jurisdiction of the Congress, which recommendations shall be made with respect to specific measurements of outcomes and be based on the degree of success which may reasonably be expected of States in helping individuals to increase earnings, achieve self-sufficiency, and reduce welfare dependency, and shall not be measured solely by levels of activity or participation.

Performance standards developed under this subsection shall be reviewed periodically by the Secretary and modified to the extent necessary.

"(b) The Secretary may collect information from the States to assist in the development of performance standards under subsection (a), and shall include in his regulations (issued pursuant to section 203(a) of the Family Support Act of 1988 with respect to the program under this part) provisions establishing uniform reporting requirements under which States must furnish periodically information and data, including information and data (for each program

activity) on the average monthly number of families assisted, the types of such families, the amounts spent per family, the length of their participation, and such other matters as the Secretary may determine.

"(c) The Secretary shall develop and transmit to the Congress, for appropriate legislative action, a proposal for measuring State progress, providing technical assistance to enable States to meet performance standards, and modifying the Federal matching rate to reflect the relative effectiveness of the various States in carrying out the program.".

(c) IMPLEMENTATION AND EFFECTIVENESS STUDIES.—(1)(A) The Secretary shall conduct an implementation study in accordance with subparagraph (B).

(B) The implementation study conducted under subparagraph (A) shall be based on a representative sample of States and localities and shall document with respect to the programs established pursuant to part F of title IV the Social Security Act—

(i) the types, mix, and costs of services offered,

(ii) participation rates or activity levels,

(iii) the characteristics of the individuals in the different type of activities,

(iv) the provisions made for child and day care and the extent to which limitations exist with respect to the availability of such care,

(v) the institutional arrangements and operating procedures under which activities are offered in the different locations, and

(vi) such other factors as the Secretary deems appropriate.

(C) There is authorized to be appropriated $500,000 for each of the fiscal years 1989, 1990, and 1991 for the purpose of conducting the implementation study under this paragraph.

(2)(A) The Secretary shall conduct a study in accordance with this paragraph to determine the relative effectiveness of the different approaches for assisting long-term and potentially long-term recipients developed by States pursuant to the programs established under part F of title IV of the Social Security Act.

(B)(i) The study required under subparagraph (A) shall be based on data gathered from demonstration projects conducted in 5 States chosen by the Secretary from among applications submitted by interested States. Such projects shall be conducted for a period of not less than 3 years upon such terms and conditions (including those involving payments to the participating States) as the Secretary may provide.

(ii) A demonstration project conducted under this subparagraph shall use specific outcome measures to test the effectiveness of particular programs. Such measures shall include educational status, employment status, earnings, receipt of aid to families with dependent children under a State plan approved under part A of title IV of the Social Security Act, receipt of other transfer payments, and, to the extent possible, the poverty status of participating families.

(iii) A demonstration project conducted under this subparagraph shall use experimental and control groups that are composed of a random sample of participants in the program established under

part F of title IV of the Social Security Act. The Secretary shall assure that the experimental design is comparable among localities.

(C) Participating States shall provide to the Secretary in such form and with such frequency as he requires interim data from the demonstration projects conducted under this paragraph. The Secretary shall report to the Congress annually on the progress of such projects and shall, not later than one year after the date of final data collection, submit to the Congress the study required under subparagraph (A).

(D) There is authorized to be appropriated $5,000,000 for each of the fiscal years 1990 and 1991 for the purpose of making payments to States conducting demonstration projects under this section.

(3) The Secretary shall establish such uniform reporting requirements as the Secretary determines are appropriate for the purpose of conducting the demonstration projects required under this section.

(4) Within 3 months after the date of the enactment of this Act, the Secretary of Health and Human Services shall convene an advisory panel which may include representatives from the Office of Management and Budget, the Congressional Budget Office, the Congressional Research Service, and the General Accounting Office, and such other individuals and organizations as the Secretary may determine. The panel shall meet periodically to design, implement, and monitor a series of implementation and evaluation studies to assess the methods and effects of the programs initiated under this Act. Insofar as possible, the panel shall work in a collegial fashion; but if consensus cannot be reached among panel members on particular decisions the Secretary of Health and Human Services is authorized to make all final decisions about program design, use of contractors, conduct of particular studies, and any other matters which may come before the panel.

(d) STUDY ON APPLICATION OF JOBS PROGRAMS TO INDIANS.—The Secretary of Health and Human Services, in cooperation with the Secretary of the Interior, shall conduct a study of—

(1) the effectiveness of such employment, training, and education programs for low-income individuals as are specifically directed toward Indians in responding to the needs of Indians on reservations;

(2) the effectiveness of such programs as are not specifically directed toward Indians in responding to such needs;

(3) the extent to which such needs are not met by such programs;

(4) how such programs could be better coordinated in responding to such needs;

(5) how such programs could be improved or restructured to more effectively meet such needs;

(6) what sustainable job markets exist in Indian communities (assessed by tribe and region); and

(7) the availability of such support services (as transportation and child care) as are necessary to assist Indians on reservations in participating in such programs and obtaining permanent employment.

The Secretary of Health and Human Services and the Secretary of the Interior shall report to the Congress on the results of the study

under this subsection not later than October 1, 1989 (or, if later, one year after the date of the enactment of this Act).

SEC. 204. EFFECTIVE DATE.

(a) IN GENERAL.—Except as provided in subsection (b), the amendments made by this title shall become effective on October 1, 1990.

(b) SPECIAL RULES.—(1)(A) If any State makes the changes in its State plan approved under section 402 of the Social Security Act that are required in order to carry out the amendments made by this title and formally notifies the Secretary of Health and Human Services of its desire to become subject to such amendments as of the first day of any calendar quarter beginning on or after the date on which the proposed regulations of the Secretary of Health and Human Services are published under section 203(a) (or, if earlier, the date on which such regulations are required to be published under such section) and before October 1, 1990, such amendments shall become effective with respect to that State as of such first day.

(B) In the case of any State in which the amendments made by this title become effective (in accordance with subparagraph (A)) with respect to any quarter of a fiscal year beginning before October 1, 1990, the limitation applicable to the State for the fiscal year under section 403(k)(2) of the Social Security Act (as added by section 201(c)(1) of this Act) shall be an amount that bears the same ratio to such limitation (as otherwise determined with respect to the State for the fiscal year) as the number of quarters in the fiscal year throughout which such amendments apply to the State bears to 4.

(2) Section 403(l)(3) of the Social Security Act (as added by section 201(c)(2) of this Act) is repealed effective October 1, 1995; and section 403(l)(4) of such Act (as so added) is repealed effective October 1, 1998.

TITLE III—SUPPORTIVE SERVICES FOR FAMILIES

SEC. 301. CHILD CARE DURING PARTICIPATION IN EMPLOYMENT, EDUCATION, AND TRAINING.

Section 402 of the Social Security Act is amended by adding at the end the following new subsection:

"(g)(1)(A) Each State agency must guarantee child care in accordance with subparagraph (B)—

"(i) for each family with a dependent child requiring such care, to the extent that such care is determined by the State agency to be necessary for an individual in the family to accept employment or remain employed; and

"(ii) for each individual participating in an education and training activity (including participation in a program that meets the requirements of subsection (a)(19) and part F) if the State agency approves the activity and determines that the individual is satisfactorily participating in the activity.

"(B) The State agency may guarantee child care by—

"(i) providing such care directly;

"(ii) arranging the care through providers by use of purchase of service contracts, or vouchers;

"(iii) providing cash or vouchers in advance to the caretaker relative in the family;

"(iv) reimbursing the caretaker relative in the family; or

"(v) adopting such other arrangements as the agency deems appropriate.

When the State agency arranges for child care, the agency shall take into account the individual needs of the child.

"(C)(i) Subject to clause (ii), the State agency shall reimburse the cost of child care provided with respect to a family in an amount that is the lesser of—

"(I) the actual cost of such care; and

"(II) the dollar amount of the child care disregard for which the family is otherwise eligible under section 402(a)(8)(A)(iii).

"(ii) The State agency may not reimburse the cost of child care provided with respect to a family in an amount that is greater than the applicable local market rate (as determined by the State in accordance with regulations issued by the Secretary).

"(D) The State may not make any change in its method of reimbursing child care costs which has the effect of disadvantaging families receiving aid under the State plan on the date of the enactment of this section, by reducing their income or otherwise.

"(E) The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for the care) under this paragraph—

"(i) shall not be treated as income for purposes of any other Federal or federally-assisted program that bases eligibility for or the amount of benefits upon need, and

"(ii) may not be claimed as an employment-related expense for purposes of the credit under section 21 of the Internal Revenue Code of 1986.

"(2) In the case of any individual participating in the program under part F, each State agency (in addition to guaranteeing child care under paragraph (1)) shall provide payment or reimbursement for such transportation and other work-related expenses (including other work-related supportive services), as the State determines are necessary to enable such individual to participate in such program.

"(3)(A) In the case of amounts expended for child care pursuant to paragraph (1)(A) by any State to which section 1108 does not apply, the applicable rate for purposes of section 403(a) shall be the Federal medical assistance percentage (as defined in section 1905(b)).

"(B) In the case of any amounts expended by the State agency for child care under this subsection, only such amounts as are within such limits as the State may prescribe (subject to the limitations of paragraph (1)(C)) shall be treated as amounts for which payment may be made to a State under this part and they may be so treated only to the extent that—

"(i) such amounts do not exceed the applicable local market rate (as determined by the State in accordance with regulations issued by the Secretary);

"(ii) the child care involved meets applicable standards of State and local law; and

"(iii) in the case of day care, the entity providing such care allows parental access.

"(4) The State must establish procedures to ensure that center-based child care will be subject to State and local requirements designed to ensure basic health and safety, including fire safety, protections. The State must also endeavor to develop guidelines for family day care. The State must provide the Secretary with a description of such State and local requirements and guidelines.

"(5) By October 1, 1992, the Secretary shall report to the Congress on the nature and content of State and local standards for health and safety.

"(6)(A) The Secretary shall make grants to States to improve their child care licensing and registration requirements and procedures, and to monitor child care provided to children receiving aid under the State plan approved under subsection (a).

"(B) Subject to subparagraph (C), the Secretary shall make grants to each State under subparagraph (A) in proportion to the number of children in the State receiving aid under the State plan approved under subsection (a).

"(C) The Secretary may not make grants to a State under subparagraph (A) unless the State provides matching funds in an amount that is not less than 10 percent of the amount of the grant.

"(D) For grants under this paragraph, there is authorized to be appropriated to the Secretary $13,000,000,000 for each of the fiscal years 1990 and 1991.

"(7) Activities under this subsection shall be coordinated in each State with existing early childhood education programs in that State, including Head Start programs, preschool programs funded under chapter 1 of the Education Consolidation and Improvement Act of 1981, and school and nonprofit child care programs (including community-based organizations receiving funds designated for preschool programs for handicapped children).".

SEC. 302. EXTENDED ELIGIBILITY FOR CHILD CARE.

(a) IN GENERAL.—Section 402(g)(1)(A) of the Social Security Act (as added by section 301 of this Act) is amended—

(1) by inserting "(i)" after "(A)";

(2) by redesignating clauses (i) and (ii) as subclauses (I) and (II), respectively; and

(3) by adding at the end the following new clause:

"(ii) Each State agency must guarantee child care, subject to the limitations described in this section and section 417, to the extent that such care is determined by the State agency to be necessary for an individual's employment in any case where a family has ceased to receive aid to families with dependent children as a result of increased hours of, or increased income from, such employment or by reason of subsection (a)(8)(B)(ii)(II).".

(b) PAYMENT.—(1) Section 402(g)(3)(A) of such Act (as added by section 301 of this Act) is amended—

(A) by inserting "(i)" after "(A)"; and

(B) by adding at the end the following new clause:

"(ii) In the case of amounts expended for child care pursuant to paragraph (1)(A)(ii) (relating to the provision of child care for certain families which cease to receive aid under this part) by any State to which section 1108 applies, the applicable rate for purposes

of section 403(a) shall be the Federal medical assistance percentage (as defined in section 1118).".

(2) Section 403(l)(1)(A) of such Act (as added by section 201(c)(2) of this Act) is amended by striking "402(g)(1)(A)" in the matter preceding clause (i) and inserting in lieu thereof "402(g)(1)(A)(i)".

(c) LIMITATIONS ON CONTINUED ELIGIBILITY.—Part A of title IV of the Social Security Act is amended by adding at the end the following new section:

"LIMITATION ON CHILD CARE FOR FAMILIES AFTER LOSS OF ELIGIBILITY

"SEC. 417. A family shall only be eligible for child care provided under section 402(g)(1)(A)(ii) for a period of 12 months after the last month for which the family received aid to families with dependent children under a State program approved under this part, and shall be entitled to reimbursement of such care under a sliding scale formula which shall be established by the State agency based on the family's ability to pay.".

(d) STUDY OF WELFARE REQUALIFICATION; REGULATIONS BASED ON RESULTS OF STUDY.—The Secretary of Health and Human Services shall conduct a study to determine whether individuals who ceased receiving aid under the State program of aid to families with dependent children approved under this part have begun again to receive such aid in order to requalify for additional months of transition benefits, and if the study reveals that such is the case, the Secretary shall, not earlier than October 1, 1991, issue regulations which restrict such requalification.

(e) STUDY ON EFFECTS OF EXTENDING ELIGIBILITY FOR CHILD CARE.—The Secretary of Health and Human Services shall conduct a study on the effectiveness of the amendments made by this section in reducing welfare dependence and assisting families in making the transition from welfare to employment, and such other effects of such amendments as the Secretary may find appropriate, and shall report the results of such study not later than January 1, 1993.

SEC. 303. EXTENDED ELIGIBILITY FOR MEDICAL ASSISTANCE.

(a) IN GENERAL.—Title XIX of the Social Security Act, as amended by section 303(a)(1) of the Medicare Catastrophic Coverage Act of 1988, is amended by redesignating section 1925 as section 1926 and by inserting after section 1924 the following new section:

"EXTENSION OF ELIGIBILITY FOR MEDICAL ASSISTANCE

"SEC. 1925. (a) INITIAL 6-MONTH EXTENSION.—

"(1) REQUIREMENT.—Notwithstanding any other provision of this title, each State plan approved under this title must provide that each family which was receiving aid pursuant to a plan of the State approved under part A of title IV in at least 3 of the 6 months immediately preceding the month in which such family becomes ineligible for such aid, because of hours of, or income from employment of the caretaker relative (as defined in subsection (e)), shall, subject to paragraph (3) and without any reapplication for benefits under the plan, remain eligible for assistance under the plan approved under this title during

the immediately succeeding 6-month period in accordance with this subsection.

"(2) NOTICE OF BENEFITS.—Each State, in the notice of termination of aid under part A of title IV sent to a family meeting the requirements of paragraph (1)—

"(A) shall notify the family of its right to extended medical assistance under this subsection and include in the notice a description of the reporting requirement of subsection (b)(2)(A)(i) and of the circumstances (described in paragraph (3)) under which such extension may be terminated; and

"(B) shall include a card or other evidence of the family's entitlement to assistance under this title for the period provided in this subsection.

"(3) TERMINATION OF EXTENSION.—

"(A) NO DEPENDENT CHILD.—Subject to subparagraphs (B) and (C), extension of assistance during the 6-month period described in paragraph (1) to a family shall terminate (during such period) at the close of the first month in which the family ceases to include a child who is (or would if needy be) a dependent child under part A of title IV.

"(B) NOTICE BEFORE TERMINATION.—No termination of assistance shall become effective under subparagraph (A) until the State has provided the family with notice of the grounds for the termination.

"(C) CONTINUATION IN CERTAIN CASES UNTIL REDETERMINATION.—With respect to a child who would cease to receive medical assistance because of subparagraph (A) but who may be eligible for assistance under the State plan because the child is described in clause (i) or (v) of section 1905(a), the State may not discontinue such assistance under such subparagraph until the State has determined that the child is not eligible for assistance under the plan.

"(4) SCOPE OF COVERAGE.—

"(A) IN GENERAL.—Subject to subparagraph (B), during the 6-month extension period under this subsection, the amount, duration, and scope of medical assistance made available with respect to a family shall be the same as if the family were still receiving aid under the plan approved under part A of title IV.

"(B) STATE MEDICAID 'WRAP-AROUND' OPTION.—A State, at its option, may pay a family's expenses for premiums, deductibles, coinsurance, or similar costs for health insurance or other health coverage offered by an employer of the caretaker relative or by an employer of the absent parent of a dependent child. In the case of such coverage offered by an employer of the caretaker relative—

"(i) the State may require the caretaker relative, as a condition of extension of coverage under this subsection, to make application for such employer coverage, but only if—

"(I) the caretaker relative is not required to make financial contributions for such coverage (whether through payroll deduction, payment of

deductibles, coinsurance, or similar costs, or otherwise), and

"(II) the State provides, directly or otherwise, for payment of any of the premium amount, deductible, coinsurance, or similar expense that the employee is otherwise required to pay; and

"(ii) the State shall treat the coverage under such an employer plan as a third party liability (under section 1902(a)(25)).

Payments for premiums, deductibles, coinsurance, and similar expenses under this subparagraph shall be considered, for purposes of section 1903(a), to be payments for medical assistance.

"(b) ADDITIONAL 6-MONTH EXTENSION.—

"(1) REQUIREMENT.—Notwithstanding any other provision of this title, each State plan approved under this title shall provide that the State shall offer to each family, which has received assistance during the entire 6-month period under subsection (a) and which meets the requirement of paragraph (2)(B), in the last month of the period the option of extending coverage under this subsection for the succeeding 6-month period, subject to paragraph (3).

"(2) NOTICE AND REPORTING REQUIREMENTS.—

"(A) NOTICES.—

"(i) NOTICE DURING INITIAL EXTENSION PERIOD OF OPTION AND REQUIREMENTS.—Each State, during the 3rd and 6th month of any extended assistance furnished to a family under subsection (a), shall notify the family of the family's option for additional extended assistance under this subsection. Each such notice shall include (i) in the 3rd month notice, a statement of the reporting requirement under subparagraph (B)(i), and, in the 6th month notice, a statement of the reporting requirement under subparagraph (B)(ii), (ii) a statement as to whether any premiums are required for such additional extended assistance, and (iii) a description of other out-of-pocket expenses, benefits, reporting and payment procedures, and any pre-existing condition limitations, waiting periods, or other coverage limitations imposed under any alternative coverage options offered under paragraph (4)(D). The 6th month notice under this subparagraph shall describe the amount of any premium required of a particular family for each of the first 3 months of additional extended assistance under this subsection.

"(ii) NOTICE DURING ADDITIONAL EXTENSION PERIOD OF REPORTING REQUIREMENTS AND PREMIUMS.—Each State, during the 3rd month of any additional extended assistance furnished to a family under this subsection, shall notify the family of the reporting requirement under subparagraph (B)(ii) and a statement of the amount of any premiums to be required for such extended assistance for the succeeding 3 months.

"(B) REPORTING REQUIREMENTS.—

"(i) DURING INITIAL EXTENSION PERIOD.—Each State shall require (as a condition for additional extended assist-

ance under this subsection) that a family receiving extended assistance under subsection (a) report to the State, not later than the 21st day of the 4th month in the period of extended assistance under subsection (a), on the family's gross monthly earnings and on the family's costs for such child care as is necessary for the employment of the caretaker relative in each of the first 3 months of that period.

"(ii) DURING ADDITIONAL EXTENSION PERIOD.—Each State shall require that a family receiving extended assistance under subsection (a) report to the State, not later than the 21st day of the 1st month and of the 4th month in the period of additional extended assistance under this subsection, on the family's gross monthly earnings and on the family's costs for such child care as is necessary for the employment of the caretaker relative in each of the 3 preceding months.

"(3) TERMINATION OF EXTENSION.—

"(A) IN GENERAL.—Subject to subparagraphs (B) and (C), extension of assistance during the 6-month period described in paragraph (1) to a family shall terminate (during the period) as follows:

"(i) NO DEPENDENT CHILD.—The extension shall terminate at the close of the first month in which the family ceases to include a child who is (or would if needy be) a dependent child under part A of title IV.

"(ii) FAILURE TO PAY ANY PREMIUM.—If the family fails to pay any premium for a month under paragraph (5) by the 21st day of the following month, the extension shall terminate at the close of that following month, unless the individual has established, to the satisfaction of the State, good cause for the failure to pay such premium on a timely basis.

"(iii) QUARTERLY INCOME REPORTING AND TEST.—The extension under this subsection shall terminate at the close of the 1st or 4th month of the 6-month period if—

"(I) the family fails to report to the State, by the 21st day of such month, the information required under paragraph (2)(B), unless the family has established, to the satisfaction of the State, good cause for the failure to report on a timely basis;

"(II) the caretaker relative had no earnings in one or more of the previous 3 months, unless such lack of any earnings was due to an involuntary loss of employment, illness, or other good cause, established to the satisfaction of the State; or

"(III) the State determines that the family's average gross monthly earnings (less such costs for such child care as is necessary for the employment of the caretaker relative) during the immediately preceding 3-month period exceeds 185 percent of the official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Omnibus

Budget Reconciliation Act of 1981) applicable to a family of the size involved.

Information described in clause (iii)(I) shall be subject to the restrictions on use and disclosure of information provided under section 402(a)(9). Instead of terminating a family's extension under clause (iii)(I), a State, at its option, may provide for suspension of the extension until the month after the month in which the family reports information required under paragraph (2)(B), but only if the family's extension has not otherwise been terminated under subclause (II) or (III) of clause (iii). The State shall make determinations under clause (iii)(III) for a family each time a report under paragraph (2)(B) for the family is received.

"(B) NOTICE BEFORE TERMINATION.—No termination of assistance shall become effective under subparagraph (A) until the State has provided the family with notice of the grounds for the termination, which notice shall include (in the case of termination under subparagraph (A)(iii)(II), relating to no continued earnings) a description of how the family may reestablish eligibility for medical assistance under the State plan.

"(C) CONTINUATION IN CERTAIN CASES UNTIL REDETERMINATION.—

"(i) DEPENDENT CHILDREN.—With respect to a child who would cease to receive medical assistance because of subparagraph (A)(i) but who may be eligible for assistance under the State plan because the child is described in clause (i) or (v) of section 1905(a), the State may not discontinue such assistance under such subparagraph until the State has determined that the child is not eligible for assistance under the plan.

"(ii) MEDICALLY NEEDY.—With respect to an individual who would cease to receive medical assistance because of clause (ii) or (iii) of subparagraph (A) but who may be eligible for assistance under the State plan because the individual is within a category of person for which medical assistance under the State plan is available under section 1902(a)(10)(C) (relating to medically needy individuals), the State may not discontinue such assistance under such subparagraph until the State has determined that the individual is not eligible for assistance under the plan.

"(4) COVERAGE.—

"(A) IN GENERAL.—During the extension period under this subsection—

"(i) the State plan shall offer to each family medical assistance which (subject to subparagraphs (B) and (C)) is the same amount, duration, and scope as would be made available to the family if it were still receiving aid under the plan approved under part A of title IV; and

"(ii) the State plan may offer alternative coverage described in subparagraph (D).

"(B) ELIMINATION OF MOST NON-ACUTE CARE BENEFITS.—At a State's option and notwithstanding any other provision of this title, a State may choose not to provide medical assistance under this subsection with respect to any (or all) of the items and services described in paragraphs (4)(A), (6), (7), (8), (11), (13), (14), (15), (16), (18), (20), and (21) of section 1905(a).

"(C) STATE MEDICAID 'WRAP-AROUND' OPTION.—At a State's option, the State may elect to apply the option described in subsection (a)(4)(B) (relating to 'wrap-around' coverage) for families electing medical assistance under this subsection in the same manner as such option applies to families provided extended eligibility for medical assistance under subsection (a).

"(D) ALTERNATIVE ASSISTANCE.—At a State's option, the State may offer families a choice of health care coverage under one or more of the following, instead of the medical assistance otherwise made available under this subsection:

"(i) ENROLLMENT IN FAMILY OPTION OF EMPLOYER PLAN.—Enrollment of the caretaker relative and dependent children in a family option of the group health plan offered to the caretaker relative.

"(ii) ENROLLMENT IN FAMILY OPTION OF STATE EMPLOYEE PLAN.—Enrollment of the caretaker relative and dependent children in a family option within the options of the group health plan or plans offered by the State to State employees.

"(iii) ENROLLMENT IN STATE UNINSURED PLAN.—Enrollment of the caretaker relative and dependent children in a basic State health plan offered by the State to individuals in the State (or areas of the State) otherwise unable to obtain health insurance coverage.

"(iv) ENROLLMENT IN HMO.—Enrollment of the caretaker relative and dependent children in a health maintenance organization (as defined in section 1903(m)(1)(A)) less than 50 percent of the membership (enrolled on a prepaid basis) of which consists of individuals who are eligible to receive benefits under this title (other than because of the option offered under this clause). The option of enrollment under this clause is in addition to, and not in lieu of, any enrollment option that the State might offer under subparagraph (A)(i) with respect to receiving services through a health maintenance organization in accordance with section 1903(m).

If a State elects to offer an option to enroll a family under this subparagraph, the State shall pay any premiums and other costs for such enrollment imposed on the family and may pay deductibles and coinsurance imposed on the family. A State's payment of premiums for the enrollment of families under this subparagraph (not including any premiums otherwise payable by an employer and less the amount of premiums collected from such families under paragraph (5)) and payment of any deductibles and coinsur-

ance shall be considered, for purposes of section 1903(a)(1), to be payments for medical assistance.

"(E) PROHIBITION ON COST-SHARING FOR MATERNITY AND PREVENTIVE PEDIATRIC CARE.—

"(i) IN GENERAL.—If a State offers any alternative option under subparagraph (D) for families, under each such option the State must assure that care described in clause (ii) is available without charge to the families through—

"(I) payment of any deductibles, coinsurance, or other cost-sharing respecting such care, or

"(II) providing coverage under the State plan for such care without any cost-sharing,

or any combination of such mechanisms.

"(ii) CARE DESCRIBED.—The care described in this clause consists of—

"(I) services related to pregnancy (including prenatal, delivery, and post partum services), and

"(II) ambulatory preventive pediatric care (including ambulatory early and periodic screening, diagnosis, and treatment services under section 1905(a)(4)(B)) for each child who meets the age and date of birth requirements to be a qualified child under section 1905(n)(2).

"(5) PREMIUM.—

"(A) PERMITTED.—Notwithstanding any other provision of this title (including section 1916), a State may impose a premium for a family for additional extended coverage under this subsection for a premium payment period (as defined in subparagraph (D)(i)), but only if the family's average gross monthly earnings (less the average monthly costs for such child care as is necessary for the employment of the caretaker relative) for the premium base period exceeds 100 percent of the official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Omnibus Budget Reconciliation Act of 1981) applicable to a family of the size involved.

"(B) LEVEL MAY VARY BY OPTION OFFERED.—The level of such premium may vary, for the same family, for each option offered by a State under paragraph (4)(D).

"(C) LIMIT ON PREMIUM.—In no case may the amount of any premium under this paragraph for a family for a month in either of the premium payment periods described in subparagraph (D)(i) exceed 3 percent of the family's average gross monthly earnings during the premium base period (as defined in subparagraph (D)(ii)).

"(D) DEFINITIONS.—In this paragraph:

"(i) A 'premium payment period' described in this clause is a 3-month period beginning with the 1st or 4th month of the 6-month additional extension period provided under this subsection.

"(ii) The term 'premium base period' means, with respect to a particular premium payment period, the

period of 3 consecutive months the last of which is 4 months before the beginning of that premium payment period.

"(c) APPLICABILITY IN STATES AND TERRITORIES.—

"(1) STATES OPERATING UNDER DEMONSTRATION PROJECTS.—In the case of any State which is providing medical assistance to its residents under a waiver granted under section 1115(a), the Secretary shall require the State to meet the requirements of this section in the same manner as the State would be required to meet such requirement if the State had in effect a plan approved under this title.

"(2) INAPPLICABILITY IN COMMONWEALTHS AND TERRITORIES.—The provisions of this section shall only apply to the 50 States and the District of Columbia.

"(d) GENERAL DISQUALIFICATION FOR FRAUD.—

"(1) INELIGIBILITY FOR AID.—This section shall not apply to an individual who is a member of a family which has received aid under part A of title IV if the State makes a finding that, at any time during the last 6 months in which the family was receiving such aid before otherwise being provided extended eligibility under this section, the individual was ineligible for such aid because of fraud.

"(2) GENERAL DISQUALIFICATIONS.—For additional provisions relating to fraud and program abuse, see sections 1128, 1128A, and 1128B.

"(e) CARETAKER RELATIVE DEFINED.—In this section, the term 'caretaker relative' has the meaning of such term as used in part A of title IV.

"(f) SUNSET.—This section shall not apply with respect to families that cease to be eligible for aid under part A of title IV of the Social Security Act after September 30, 1998.".

(b) CONFORMING AMENDMENTS.—(1) Section 1902(e)(1) of such Act (42 U.S.C. 1396a(e)(1)) is amended—

(A) by inserting "subject to subparagraph (B)" after "January 1, 1974,",

(B) by inserting "(A)" after "(e)(1)", and

(C) by adding at the end the following new subparagraph:

"(B) Subparagraph (A) shall not apply with respect to families that cease to be eligible for aid under part A of title IV of the Social Security Act during the period beginning on April 1, 1990, and ending on September 30, 1998. During such period, for provisions relating to extension of eligibility for medical assistance for certain families who have received aid pursuant to a State plan approved under part A of title IV and have earned income, see section 1925.".

(2) Section 1905(a) of such Act (42 U.S.C. 1396d(a)) is amended by striking "or" at the end of clause (vii), by inserting "or" at the end of clause (viii), and by inserting after clause (viii) the following new clause:

"(ix) individuals provided extended benefits under section 1925,".

(3) Paragraph (37) of section 402(a) of such Act (42 U.S.C. 602(a)) is repealed.

(c) STUDY AND REPORT.—(1) The Secretary of Health and Human Services shall conduct a study of the impact of the medicaid exten-

sion provisions under section 1925 of the Social Security Act, with particular focus on the costs of such provisions and the impact on welfare dependency, and shall report to Congress on the results of such study not later than April 1, 1993.

(2) The study under paragraph (1) shall include an examination of—

(A) the extent to which the availability of extended medicaid benefits affects access to and use of medical services,

(B) the relative effectiveness of different types of coverage provided by States,

(C) the effect of requiring families to pay premiums or incur any other expenses with respect to such extended benefits, and

(D) whether individuals who have exhausted such benefits recycle onto welfare for short periods of time in order to requalify for such extended benefits.

(d) CONFORMING AMENDMENT TO SECTION 403 AMENDMENTS.—Section 1902(e) of the Social Security Act (42 U.S.C. 1396a(e)) is amended by adding at the end the following new paragraph:

"(10)(A) The fact that an individual, child, or pregnant woman may be denied aid under part A of title IV pursuant to section 402(a)(43) shall not be construed as denying (or permitting a State to deny) medical assistance under this title to such individual, child, or woman who is eligible for assistance under this title on a basis other than the receipt of aid under such part.

"(B) If an individual, child, or pregnant woman is receiving aid under part A of title IV and such aid is terminated pursuant to section 402(a)(43), the State may not discontinue medical assistance under this title for the individual, child, or woman until the State has determined that the individual, child, or woman is not eligible for assistance under this title on a basis other than the receipt of aid under such part.".

(e) 1-YEAR EXTENSION OF MEDICAID ELIGIBILITY EXTENSION DUE TO COLLECTION OF CHILD OR SPOUSAL SUPPORT.—Section 20(b) of the Child Support Amendments of 1984 (Public Law 98-378) is amended by striking "October 1, 1988" and inserting "October 1, 1989".

(f) EFFECTIVE DATE.—(1) The amendments made by this section (other than subsections (b)(3), (d), and (e)) shall apply to payments under title XIX of the Social Security Act for calendar quarters beginning on or after April 1, 1990 (or, in the case of the Commonwealth of Kentucky, October 1, 1990) (without regard to whether regulations to implement such amendments are promulgated by such date), with respect to families that cease to be eligible for aid under part A of title IV of the Social Security Act on or after such date.

(2) The amendment made by subsection (b)(3) shall take effect on April 1, 1990.

(3) The amendment made by subsection (d) shall become effective on the effective date of section 402(a)(43) of the Social Security Act, as inserted by section 403(a) of this Act.

(4) The amendment made by subsection (e) shall take effect on October 1, 1988.

SEC. 304. EFFECTIVE DATES.

(a) CHILD CARE FOR PARTICIPANTS IN EMPLOYMENT, EDUCATION, AND TRAINING.—The amendment made by section 301 shall become effective with respect to a State on the date the amendments made by title II become effective with respect to the State.

(b) TRANSITIONAL CHILD CARE.—(1) The amendments made by section 302 shall become effective on April 1, 1990.

(2) Effective September 30, 1998, the amendments made by section 302 are repealed.

TITLE IV—RELATED AFDC AMENDMENTS

SEC. 401. BENEFITS FOR TWO-PARENT FAMILIES.

(a) MANDATORY EXPANSION OF COVERAGE.—(1) Section 402(a) of the Social Security Act (as amended by section 201(a) of this Act) is amended—

(A) by striking "and" after the semicolon at the end of paragraph (39);

(B) by striking the period at the end of paragraph (40) and inserting in lieu thereof "; and"; and

(C) by inserting immediately after paragraph (40) the following new paragraph:

"(41) provide that aid to families with dependent children will be provided under the plan with respect to dependent children of unemployed parents in accordance with section 407.".

(2)(A) Section 402(a)(38)(B) of such Act is amended by striking "(if such section is applicable to the State)".

(B) Section 407(b) of such Act is amended by striking "(b) The provisions" and all that follows through "(1) requires" and inserting in lieu thereof the following:

"(b) In providing for the provision of aid to families with dependent children under the State's plan approved under section 402, in the case of families that include dependent children within the meaning of subsection (a) of this section, as required by section 402(a)(41), the State's plan—

"(1) shall require".

(C) Section 407(b)(2) of such Act is amended by striking "provides—" and inserting in lieu thereof "shall provide—".

(b) STATE FLEXIBILITY IN STRUCTURING TWO-PARENT FAMILY PROGRAM.—(1) Section 407(b) of such Act (as amended by subsection (a) of this section) is amended—

(A)(i) by inserting "(1)" after "(b)";

(ii) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively;

(iii) by redesignating subparagraphs (A), (B), and (C) of such paragraph (1) as clauses (i), (ii), and (iii), respectively;

(iv) by redesignating subparagraphs (A), (B), (C), and (D) of such paragraph (2) as clauses (i), (ii), (iii), and (iv), respectively; and

(v) by redesignating clauses (i) and (ii) of subparagraph (C) of both such paragraphs (1) and (2) as subclauses (I) and (II), respectively;

(B) in paragraph (1)(A) (as so redesignated by subparagraph (A) of this paragraph, and as amended by subsection (a)(2)(A) of this section before such redesignation), by inserting "subject to paragraph (2)," before "shall require"; and

(C) by adding at the end the following new paragraph:

"(2)(A) In carrying out the program under this section, a State may design its program to reflect the individual needs of the State and to emphasize education, training, and employment services for unemployed parents and their spouses who are eligible for aid to families with dependent children by reason of this section, to the extent provided under this paragraph.

"(B)(i) Subject to clauses (ii) and (iii), with respect to the requirement under section 402(a)(41), a State may, at its option, limit the number of months with respect to which a family receives aid to families with dependent children to the extent determined appropriate by the State for the operation of its program under this section.

"(ii)(I) A State may not limit the number of months under clause (i) for which a family may receive aid to families with dependent children unless it provides in its plan assurances to the Secretary that it has a program (that meets such requirements as the Secretary may in regulation prescribe) for providing education, training, and employment services (including any activity authorized under section 402(a)(19) or under part F) in order to assist parents of children described in subsection (a) in preparing for and obtaining employment.

"(II) In exercising the option under clause (i), a State plan may not provide for the denial of aid to families with dependent children to a family otherwise eligible for such aid for any month unless the family has received such aid (on the basis of the unemployment of the parent who is the principal earner) in at least 6 of the preceding 12 months.

"(iii) Each State which, on September 26, 1988, has a program in effect under this section shall continue to operate such program without a time limitation.

"(C) With respect to the participation in the program under section 402(a)(19) and part F of a family eligible for aid to families with dependent children by reason of this section, a State may, at its option—

"(i) except as otherwise provided in such section and such part, require that any parent participating in such program engage in program activities for up to 40 hours per week; and

"(ii) provide for the payment of aid to families with dependent children at regular intervals of no greater than one month but after the performance of assigned program activities.".

(2) Section 402(a)(19)(B)(i)(II) of such Act (as added by the amendment made by section 201(a) of this Act) is amended by inserting "(and individuals who would be recipients of such aid if the State had not exercised the option under section 407(b)(2)(B)(i))" after "children".

(3)(A) Section 407(b)(1)(B) of such Act (as so redesignated by paragraph (1)(A) of this subsection) is amended by striking "paragraph (1)(A)" each place it appears and inserting in lieu thereof "subparagraph (A)(i)".

(B) Section 407(c) of such Act is amended—

(i) by striking "subparagraph (A) of subsection (b)(1)" and inserting in lieu thereof "subsection (b)(1)(A)(i)";

(ii) by striking "subparagraph (B) of such subsection" and inserting in lieu thereof "subsection (b)(1)(A)(ii)"; and

(iii) by striking "subparagraph (A) of subsection (b)(2)" and inserting in lieu thereof "subsection (b)(1)(B)(i)".

(C) Section 407(d)(3) of such Act is amended by striking "section 407(b)(1)(C)" and inserting in lieu thereof "subsection (b)(1)(A)(iii)".

(c) PARTICIPATION IN TRAINING AND EDUCATION PROGRAMS AS A QUARTER OF WORK.—(1) Section 407(d)(1) of such Act is amended—

(A) by inserting "(A)" after "means a calendar quarter"; and

(B) by inserting before the semicolon at the end the following: ", or (B) at the option of the State, a calendar quarter in which such individual attended, full-time, an elementary school, a secondary school, or a vocational or technical training course (approved by the Secretary) that is designed to prepare the individual for gainful employment, or in which such individual participated in an education or training program established under the Job Training Partnership Act".

(2) Section 407(d) of such Act is amended by adding at the end the following new sentence:

"Notwithstanding section 402(a)(1), a State that chooses to exercise the option provided under paragraph (1)(B) may provide that the definition of calendar quarter under such option apply in one or more political subdivisions of the State.".

(3) Section 407(b)(1)(A)(iii)(I) of such Act (as so redesignated by subsection (b)(1)(A) of this section) is amended by inserting ", no more than 4 of which may be quarters of work defined in subsection (d)(1)(B)," after "(d)(1))".

(4)(A) Section 407(b)(2)(B)(ii) of such Act (as added by the amendment made by subsection (b)(1)(C)) is amended by adding at the end the following new subclause:

"(III) Any family that is otherwise eligible for aid to families with dependent children that does not receive such aid in any month solely by reason of the State exercising the option under clause (i) shall be deemed, for purposes of determining the period under paragraph (1)(A)(iii)(I), to be receiving such aid in such month.".

(B) Section 407(d)(1) of such Act (as amended by paragraph (1) of this subsection) is amended by striking "a community work experience" and all that follows through the semicolon and inserting in lieu thereof "the program under section 402(a)(19) and part F;".

(d) EXPANSION OF MEDICAID COVERAGE FOR TWO-PARENT FAMILIES.—(1) Section 1902(a)(10)(A)(i) of such Act is amended—

(A) by striking "or" at the end of subclause (III),

(B) by adding "or" at the end of subclause (IV), and

(C) by adding at the end the following new subclause:

"(V) who are qualified family members as defined in section 1905(m)(1);".

(2) Section 1905 of such Act is amended by inserting after subsection (l) the following new subsection:

"(m)(1) Subject to paragraph (2), the term 'qualified family member' means an individual (other than a qualified pregnant woman or child, as defined in subsection (n)) who is a member of a

family that would be receiving aid under the State plan under part A of title IV pursuant to section 407 if the State had not exercised the option under section 407(b)(2)(B)(i).

"(2) No individual shall be a qualified family member for any period after September 30, 1998.".

(e) EVALUATION AND REPORT.—(1) The Secretary of Health and Human Services shall evaluate the time-limited and conventional State programs conducted under section 407 of the Social Security Act (as amended by this section), including the effects of the work requirement applicable to families receiving benefits under such section.

(2) The Secretary shall, not later than July 1, 1996, submit to the Congress an interim report containing the findings of such evaluation together with recommendations for any changes in such program, and shall, not later than July 1, 1998, submit to the Congress a final report containing such findings and recommendations.

(f) Section 402(a) of such Act (as amended by sections 201(a) and 401(a) of this Act) is amended—

(1) by striking "and" at the end of paragraph (40);

(2) by striking the period at the end of paragraph (41) and inserting "; and"; and

(3) by inserting at the end the following new paragraph:

"(42) provide that if, under section 407(b)(2)(B)(i), the State limits the number of months for which a family may receive aid to families with dependent children, the State shall provide medical assistance to all members of the family under the State's plan approved under title XIX, without time limitation.

(g) EFFECTIVE DATE.—(1) Except as provided in paragraph (2), and in section 1905(m)(2) of the Social Security Act (as added by subsection (d)(2) of this section), the amendments made by this section shall become effective on October 1, 1990.

(2) The amendments made by this section shall not become effective with respect to American Samoa, Guam, or the Virgin Islands, until October 1, 1992.

(h) TERMINATION.—Effective September 30, 1998, the amendments made by this section (other than by subsection (d)) are repealed, and the provisions of law so amended (as in effect immediately before the effective date of such amendments) shall apply as if such amendments had never been made.

SEC. 402. CHANGES IN EARNED INCOME DISREGARDS.

(a) LIMIT ON DISREGARD OF CHILD CARE COSTS INCREASED; CHILD CARE DISREGARD TO BE APPLIED LAST.—Section 402(a)(8)(A)(iii) of the Social Security Act is amended—

(1) by inserting "after applying the other clauses of this subparagraph," before "shall disregard";

(2) by striking "$160" and inserting in lieu thereof "$175"; and

(3) by inserting before the semicolon ", or, in the case such child is under age 2, $200".

(b) STANDARD DISREGARD INCREASED.—Section 402(a)(8)(A)(ii) of such Act is amended by striking "$75" and inserting in lieu thereof "$90".

(c) DISREGARD OF ADVANCE PAYMENTS OR REFUND OF EARNED INCOME TAX CREDIT.—Section 402(a)(8)(A) of such Act is amended—

(1) by striking "and" at the end of clause (vi); and

(2) by adding at the end the following new clause:

"(viii) shall disregard any refund of Federal income taxes made to a family receiving aid to families with dependent children by reason of section 32 of the Internal Revenue Code of 1986 (relating to earned income tax credit) and any payment made to such a family by an employer under section 3507 of such Code (relating to advance payment of earned income credit); and".

(d) EFFECTIVE DATE.—The amendments made by this section shall become effective on October 1, 1989.

SEC. 403. HOUSEHOLDS HEADED BY MINOR PARENTS.

(a) IN GENERAL.—Section 402(a) of the Social Security Act (as amended by sections 201(a), 401(a), and 402(f) of this Act) is amended—

(1) by striking "and" at the end of paragraph (41);

(2) by striking the period at the end of paragraph (42) and inserting "; and"; and

(3) by inserting immediately after paragraph (42) the following new paragraph:

"(43) at the option of the State, provide that—

"(A) subject to subparagraph (B), in the case of any individual who is under the age of 18 and has never married, and who has a dependent child in his or her care (or is pregnant and is eligible for aid to families with dependent children under the State plan)—

"(i) such individual may receive aid to families with dependent children under the plan for the individual and such child (or for herself in the case of a pregnant woman) only if such individual and child (or such pregnant woman) reside in a place of residence maintained by a parent, legal guardian, or other adult relative of such individual as such parent's, guardian's, or adult relative's own home, or reside in a foster home, maternity home, or other adult-supervised supportive living arrangement; and

"(ii) such aid (where possible) shall be provided to the parent, legal guardian, or other adult relative on behalf of such individual and child; and

"(B) subparagraph (A) does not apply in the case where—

"(i) such individual has no parent or legal guardian of his or her own who is living and whose whereabouts are known;

"(ii) no living parent or legal guardian of such individual allows the individual to live in the home of such parent or guardian;

"(iii) the State agency determines that the physical or emotional health or safety of such individual or such dependent child would be jeopardized if such individual and such dependent child lived in the same residence with such individual's own parent or legal guardian;

"(iv) such individual lived apart from his or her own parent or legal guardian for a period of at least one year before either the birth of any such dependent child or the individual having made application for aid to families with dependent children under the plan; or

"(v) the State agency otherwise determines (in accordance with regulations issued by the Secretary) that there is good cause for waiving such subparagraph.

(b) EFFECTIVE DATE.—The amendments made by this section shall become effective on the first day of the first calendar quarter to begin one year or more after the date of the enactment of this Act.

SEC. 404. PERIODIC REEVALUATION OF NEED AND PAYMENT STANDARDS.

(a) IN GENERAL.—Section 402 of the Social Security Act (as amended by section 301 of this Act) is amended by adding at the end the following new subsection:

"(h)(1) Each State shall reevaluate the need standard and payment standard under its plan at least once every 3 years, in accordance with a schedule established by the Secretary, and report the results of the reevaluation to the Secretary and the public at such time and in such form and manner as the Secretary may require.

"(2) The report required by paragraph (1) shall include a statement of—

"(A) the manner in which the need standard of the State is determined,

"(B) the relationship between the need standard and the payment standard (expressed as a percentage or in any other manner determined by the Secretary to be appropriate), and

"(C) any changes in the need standard or the payment standard in the preceding 3-year period.

"(3) The Secretary shall report promptly to the Congress the results of the reevaluations required by paragraph (1).".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall become effective on the date of the enactment of this Act.

SEC. 405. CBO STUDY ON IMPLEMENTATION OF NATIONAL MINIMUM PAYMENT STANDARD.

(a) IN GENERAL.—The Congressional Budget Office shall conduct a study on the implementation of the amendments proposed by section 101 of the bill introduced in the Senate of the United States during the 100th Congress and designated S. 862 (relating to the requirement of a minimum payment standard under part A of title IV of the Social Security Act with a Federal matching rate of 90 percent).

(b) DESCRIPTION OF STUDY.—The study conducted under subsection (a) shall assess the extent to which—

(1) the goal of budget neutrality may be preserved by repealing the programs included in, but not limited to, the programs described in the amendments proposed by section 301 of the bill described in subsection (a) over a more gradual period of time in conjunction with corresponding increases (up to 90 percent) in the Federal matching rates under part A of title IV, and title XIX, of the Social Security Act; and

(2) the effects on local governments of repealing Federal programs could be mitigated by providing, over a period of time

that corresponds with more gradual increases in the Federal matching rates under such part A and title XIX, general revenue supplements to those localities with the lowest levels of fiscal capacity and pass-throughs to units of local government.

(c) REPORT TO CONGRESS.—The Congressional Budget Office shall report on the results of the study conducted under this section not later than 12 months after the date of the enactment of this Act.

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as may be necessary to carry out this section.

SEC. 406. STUDY OF NEW NATIONAL APPROACHES TO WELFARE BENEFITS FOR LOW-INCOME FAMILIES WITH CHILDREN.

(a) IN GENERAL.—The Secretary of Health and Human Services shall enter into a contract or arrangement with the National Academy of Sciences for the study of a new national system of welfare benefits for low-income families with children, giving particular attention to what an appropriate national minimum benefit might be and how it should be calculated. The study shall give consideration to alternative minimum benefit proposals including proposals for benefits based on a family living standard, on weighted national median income, on State median income, and on the poverty level, and shall take into account the probable impact of a national minimum benefit on individuals and on State and local governments.

(b) METHODOLOGY.—(1) The study under this section shall include the development of a uniform national methodology which could be used to calculate State-specific family living standards and benefits based on other minimum benefit proposals.

(2) The methodology so developed shall be designed to identify a single uniform measure suitable for application in each State, and shall—

(A) take into account actual living costs in each State while permitting variances in such costs as between the different geographic areas of the State;

(B) take into account variations in actual living costs in each State for families of different sizes and composition; and

(C) specify an effective process for reassessing and updating both the methodology and the resulting family living standards and benefits based on other minimum benefit policies at least once every 4 years.

(3) The methodology so developed shall reflect the costs of basic necessities including housing, furnishings, food, clothing, transportation, utilities, and other maintenance items; and the study shall take into account variations in costs for different geographic areas of the State where such costs may be substantially different, and variations in costs for families of different sizes and composition.

(c) OTHER CONSIDERATIONS; PROGRESSION TO PROPOSED MINIMUM BENEFIT LEVELS.—In order to assess the implications of States moving to a new system of welfare benefits, the study shall include an analysis of the relationship between a State's fiscal capacity and other circumstances and constraints and the application of a full family living standard or other minimum benefit policy. The study shall propose a formula designed to achieve a uniform progression from the level of assistance currently being provided for low-income

families with children under the AFDC program, the food stamp program, and the low-income energy assistance program, by each State, to a level based on the full family living standard or other minimum benefit policy for that State. For this purpose the Secretary shall define the term "low-income families with children" in a manner which reflects all families that include dependent children as defined for purposes of the AFDC program.

(d) REPORT AND RECOMMENDATIONS.—The Academy shall report its recommendations resulting from the study under this section to the Secretary no later than 24 months after the date of the enactment of this Act; and the Secretary shall promptly transmit such recommendations to the Congress.

(e) AUTHORIZATION OF FUNDS.—There are authorized to be appropriated such sums as may be necessary to carry out this section.

TITLE V—DEMONSTRATION PROJECTS

SEC. 501. FAMILY SUPPORT DEMONSTRATION PROJECTS.

(a) DEMONSTRATION PROJECTS TO TEST THE EFFECT OF EARLY CHILDHOOD DEVELOPMENT PROGRAMS.—(1) In order to test the effect of in-home early childhood development programs and pre-school center-based development programs (emphasizing the use of volunteers and including academic credit for student volunteers) on families receiving aid under State plans approved under section 402 of the Social Security Act and participating in the job opportunities and basic skills training program under part F of title IV of such Act, up to 10 States may undertake and carry out demonstration projects utilizing such development programs to enhance the cognitive skills and linguistic ability of children under the age of 5, to improve the communications skills of such children, and to develop their ability to read, write, and speak the English language effectively. Such projects may include parents along with their eligible children in family-centered education programs that assist children directly in achieving the goals stated in the preceding sentence and also help parents contribute to the proper development and education of their young children. Demonstration projects under this subsection shall meet such conditions and requirements as the Secretary of Health and Human Services (in this section referred to as the "Secretary") shall prescribe, and no such project shall be conducted for a period of more than 3 years.

(2) The Secretary shall consider all applications received from States desiring to conduct demonstration projects under this subsection, shall approve up to 10 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this subsection, and shall make grants to the States whose applications are approved to assist them in carrying out such projects.

(3) The Secretary shall submit to the Congress with respect to each project undertaken by a State under this subsection, after such project has been carried out for one year and again when such project is completed, a detailed evaluation of the project and of its contribution to the achievement of the purpose of this subsection.

(b) STATE DEMONSTRATION PROJECTS TO ENCOURAGE INNOVATIVE EDUCATION AND TRAINING PROGRAMS FOR CHILDREN.—In order to encourage States to develop innovative education and training programs for children receiving aid under State plans approved under section 402 of the Social Security Act, any State may establish and conduct one or more demonstration projects, targeted to such children, designed to test financial incentives and interdisciplinary approaches to reducing school dropouts, encouraging skill development, and avoiding welfare dependence; and the Secretary may make grants to States to assist in financing such projects. Demonstration projects under this subsection shall meet such conditions and requirements as the Secretary shall prescribe, and no such project shall be conducted for a period of less than one year or more than 5 years.

(c) DEMONSTRATIONS TO ENSURE LONG TERM FAMILY SELF-SUFFICIENCY THROUGH COMMUNITY-BASED SERVICES.—Any State, using funds made available to it from appropriations made pursuant to subsection (d) in conjunction with its other resources, may conduct demonstrations to test more effective methods of providing coordination and services to ensure long term family self-sufficiency through community-based comprehensive family support services involving a partnership between the State agency administering or supervising the administrating of the State's plan under section 402 of the Social Security Act and community-based organizations having experience and demonstrated effectiveness in providing services.

(d) AUTHORIZATION OF APPROPRIATIONS.—For the purpose of making grants to States to conduct demonstration projects under this section, there is authorized to be appropriated not to exceed $6,000,000 for each of the fiscal years 1990, 1991, and 1992.

SEC. 502. DEMONSTRATION PROJECTS TO ENCOURAGE STATES TO EMPLOY PARENTS RECEIVING AFDC AS PAID CHILD CARE PROVIDERS.

(a) IN GENERAL.—In order to encourage States to employ or arrange for the employment of parents of dependent children receiving aid under State plans approved under section 402(a) of the Social Security Act as providers of child care for other children receiving such aid, up to 5 States may undertake and carry out demonstration projects designed to test whether such employment will effectively facilitate the conduct of the job opportunities and basic skills training program under part F of title IV of such Act by making additional child care services available to meet the requirements of section 402(g)(1)(A) of such Act while affording significant numbers of families receiving such aid a realistic opportunity to avoid welfare dependence through employment as a child care provider.

(b) CONSIDERATION OF APPLICATIONS.—The Secretary of Health and Human Services shall consider all applications received from States desiring to conduct demonstration projects under this section, shall approve up to 5 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this section, and shall make grants to those States the applications of which are approved to assist them in carrying out such projects. Each project conducted under this section shall meet such conditions and requirements as the Secretary shall prescribe.

(c) LIMITATION ON AUTHORIZATION OF APPROPRIATIONS.—For the purpose of making grants to States to carry out demonstration projects under this section, there is authorized to be appropriated not to exceed $1,000,000 for each of the fiscal years 1990, 1991, and 1992.

(d) EFFECTIVE DATE.—The section shall become effective on October 1, 1989.

SEC. 503. DEMONSTRATION PROJECTS TO TEST ALTERNATIVE DEFINITIONS OF UNEMPLOYMENT.

Section 1115 of the Social Security Act is amended by adding at the end the following new subsection:

"(d)(1)(A) The Secretary shall enter into agreements with up to 8 States submitting applications under this subsection for the purpose of conducting demonstration projects in such States to test and evaluate the use, with respect to individuals who received aid under part A of title IV in the preceding month (on the basis of the unemployment of the parent who is the principal earner), of a number greater than 100 for the number of hours per month that such individuals may work and still be considered to be unemployed for purposes of section 407. If any State submits an application under this subsection for the purpose of conducting a demonstration project to test and evaluate the total elimination of the 100-hour rule, the Secretary shall approve at least one such application.

"(B) If any State with an agreement under this subsection so requests, the demonstration project conducted pursuant to such agreement may test and evaluate the complete elimination of the 100-hour rule and of any other durational standard that might be applied in defining unemployment for purposes of determining eligibility under section 407.

"(2) Notwithstanding section 402(a)(1), a demonstration project conducted under this subsection may be conducted in one or more political subdivisions of the State.

"(3) An agreement under this subsection shall be entered into between the Secretary and the State agency designated under section 402(a)(3). Such agreement shall provide for the payment of aid under the applicable State plan under part A of title IV as though section 407 had been modified to reflect the definition of unemployment used in the demonstration project but shall also provide that such project shall otherwise be carried out in accordance with all of the requirements and conditions of section 407 (and, except as provided in paragraph (2), any related requirements and conditions under part A of title IV).

"(4) A demonstration project under this subsection may be commenced any time after September 30, 1990, and shall be conducted for such period of time as the agreement with the Secretary may provide; except that, in no event may a demonstration project under this section be conducted after September 30, 1995.

"(5)(A) Any State with an agreement under this subsection shall evaluate the comparative cost and employment effects of the use of the definition of unemployment in its demonstration project under this section by use of experimental and control groups comprised of a random sample of individuals receiving aid under section 407 and shall furnish the Secretary with such information as the Secretary

determines to be necessary to evaluate the results of the project conducted by the State.

"(B) The Secretary shall report the results of the demonstration projects conducted under this subsection to the Congress not later than 6 months after all such projects are completed.".

SEC. 504. DEMONSTRATION PROJECTS TO ADDRESS CHILD ACCESS PROBLEMS.

(a) IN GENERAL.—Any State may establish and conduct one or more demonstration projects (in accordance with such terms, conditions, and requirements as the Secretary of Health and Human Services shall prescribe, except that no such project may include the withholding of aid to families with dependent children pending visitation) to develop, improve, or expand activities designed to increase compliance with child access provisions of court orders.

(b) ACTIVITIES UNDER PROJECT.—Activities that may be funded by a grant under this section include (whether conducted through the executive, legislative, or judicial branches of the State) the development of systematic procedures for enforcing access provisions of court orders, the establishment of special staffs to deal with and mediate disputes involving access (both before and after a court order has been issued), and the dissemination of information to parents.

(c) OTHER REQUIREMENTS.—In the case of any experimental, pilot, or demonstration project undertaken under this section, the project—

(1) must be designed to improve the financial well-being of families with children or otherwise improve the operation of the program or programs involved; and

(2) may not permit modifications in any program which would have the effect of disadvantaging children in need.

(d) AUTHORIZATION OF APPROPRIATIONS.—For the purpose of making grants to States to assist in financing the projects established under this section, there is authorized to be appropriated not to exceed $4,000,000 for each of the fiscal years 1990 and 1991.

(e) REPORT.—Not later than July 1, 1992, the Secretary of Health and Human Services shall submit to the Congress a report on the effectiveness of the demonstration projects established under this section in—

(1) decreasing the time required for the resolution of disputes related to child access,

(2) reducing litigation relating to access disputes, and

(3) improving compliance with court-ordered child support payments.

SEC. 505. DEMONSTRATION PROJECTS TO EXPAND THE NUMBER OF JOB OPPORTUNITIES AVAILABLE TO CERTAIN LOW-INCOME INDIVIDUALS.

(a) IN GENERAL.—The Secretary of Health and Human Services (in this section referred to as the "Secretary") shall enter into agreements with not less than 5 nor more than 10 nonprofit organizations (including community development corporations) submitting applications under this section for the purpose of conducting demonstration projects in accordance with subsection (b) to create employment opportunities for certain low-income individuals.

(b) NATURE OF PROJECT.—(1) Each nonprofit organization conducting a demonstration project under this section shall provide technical and financial assistance to private employers in the community to assist them in creating employment and business opportunities for those individuals eligible to participate in the projects as described in this subsection.

(2) For purposes of this section, a nonprofit organization is any organization (including a community development corporation) exempt from taxation under section 501(a) of the Internal Revenue Code of 1986 by reason of paragraph (3) or (4) of section 501(c) of such Code.

(3) A low-income individual eligible to participate in a project conducted under this section is any individual eligible to receive aid to families with dependent children under part A of title IV of the Social Security Act and any other individual whose income level does not exceed 100 percent of the official poverty line as defined by the Office of Management and Budget and revised in accordance with section 673(2) of the Omnibus Budget Reconciliation Act of 1981.

(c) CONTENT OF APPLICATIONS; SELECTION PRIORITY.—(1) Each nonprofit organization submitting an application under this section shall, as part of such application, describe—

(A) the technical and financial assistance that will be made available under the project conducted under this section;

(B) the geographic area to be served by the project;

(C) the percentage of low-income individuals (as described in subsection (b)) and individuals receiving aid to families with dependent children under title IV of the Social Security Act in the area to be served by the project; and

(D) unemployment rates in the geographic areas to be served and (to the extent practicable) the jobs available and skills necessary to fill those vacancies in such areas.

(2) In approving applications under this section, the Secretary shall give priority to applications proposing to serve those areas containing the highest percentage of individuals receiving aid to families with dependent children under title IV of such Act.

(d) ADMINISTRATION.—Each nonprofit organization participating in a demonstration project conducted under this section shall provide assurances in its agreement with the Secretary that it has or will have a cooperative relationship with the agency responsible for administering the job opportunities and basic skills training program (as provided for under title IV of the Social Security Act) in the area served by the project.

(e) DURATION.—Each demonstration project conducted under this section shall be commenced not later than September 30, 1989, and shall be conducted for a 3-year period; except that the Secretary may terminate a project before the end of such period if he determines that the nonprofit organization conducting the project is not in substantial compliance with the terms of the agreement entered into with the Secretary under this section.

(f) EVALUATION AND REPORT.—(1) The Secretary shall conduct an evaluation of the success of each demonstration project conducted under this section in creating job opportunities and may require each nonprofit organization conducting such a project to provide the

Secretary with such information as the Secretary determines is necessary to prepare the report described in paragraph (2).

(2) Not later than January 1, 1993, the Secretary shall submit to the Congress a report containing a summary of the evaluations conducted under paragraph (1), together with such recommendations as the Secretary determines are appropriate.

(g) AUTHORIZATION OF APPROPRIATIONS.—For the purpose of making grants to conduct demonstration projects under this section, there is authorized to be appropriated not to exceed $6,500,000 for each of the fiscal years 1990, 1991, and 1992.

SEC. 506. DEMONSTRATION PROJECTS TO PROVIDE COUNSELING AND SERVICES TO HIGH-RISK TEENAGERS.

(a) FINDINGS AND PURPOSE.—(1) The Congress finds that—

(A) the incidences of teenage pregnancy, suicide, substance abuse, and school dropout are increasing;

(B) research to date has established a link between low self-esteem, perceived limited life options and the risk of teenage pregnancy, suicide, substance abuse, and school dropout;

(C) little data currently exists on how to improve the self-image of and expand the life options available to high-risk teenagers; and

(D) there currently is no Federal program in place to address the unique and significant problems faced by today's teenagers.

(2) It is the purpose of the demonstration projects conducted under this section to provide programs in which a range of non-academic services (sports, recreation, the arts) and self-image counseling are provided to high-risk teenagers in order to reduce the rates of pregnancy, suicide, substance abuse, and school dropout among such teenagers.

(b) IN GENERAL.—The Secretary of Health and Human Services (in this section referred to as the "Secretary") shall enter into an agreement with each of 4 States submitting applications under this section for the purpose of conducting demonstration projects in accordance with this section to provide counseling and services to certain high-risk teenagers.

(c) NATURE OF PROJECT.—Under each demonstration project conducted under this section—

(1) The State shall establish a "Teen Care Plan" that shall consist of the following:

(A) A clearing house where high-risk teenagers will be referred to and encouraged to participate in non-academic activities (arts, recreation, sports) which are already in place in the community.

(B) A survey of the area to be targeted by the project to determine the need to fund and create new non-academic activities in the area.

(C) Counseling services utilizing qualified, locally licensed psychologists, social psychologists, or other mental health professionals or related experts to provide individual and group counseling to participating high-risk teenagers.

(D) A program to provide participants in the project (to the extent practicable) with such transportation, child care,

and equipment as is necessary to carry out the purposes of the project.

(2) The State shall designate two geographical areas within the State to be targeted by the project. One area will serve as the "home base" for the project, where services will be concentrated and in which a local school system will be selected to receive services and provide facilities for resource referral and counseling. The second geographical area will serve as a "peripheral" participant, receiving assistance and services from the home base.

(3) A high-risk teenager is any male or female who has reached the age of 10 years and whose age does not exceed 20 years, and who—

(A) has a history of academic problems;

(B) has a history of behavioral problems both in and out of school;

(C) comes from a one-parent household; or

(D) is pregnant or is a mother of a child.

(d) APPLICATIONS; SELECTION CRITERIA.—(1) In selecting States to conduct demonstration projects under this section, the Secretary—

(A) shall consult with the Consortium on Adolescent Pregnancy;

(B) shall consider—

(i) the rate of teenage pregnancy in each State,

(ii) the teenage school dropout rate in each State,

(iii) the incidence of teenage substance abuse in each State, and

(iv) the incidence of teenage suicide in each State; and

(C) shall give priority to States whose applications—

(i) demonstrate a current strong State commitment aimed at reducing teenage pregnancy, suicide, drug abuse, and school dropout;

(ii) contain a "State support agreement" signed by the Governor, the State School Commissioner, the State Department of Human Services, and the State Department of Education, pledging their commitment to the project;

(iii) describe facilities and services to be made available by the State to assist in carrying out the project; and

(iv) indicate a demonstrably high rate of alcoholism among its residents.

(2) Of the States selected to participate in the demonstration projects conducted under this section—

(A) one shall be a geographically small State with a population of less than 1,250,000;

(B) one shall be a State with a population of over 20,000,000; and

(C) two shall be States with populations of more than 1,000,000 but less than 20,000,000.

(e) EVALUATION AND REPORT.—(1) Each State conducting a demonstration project under this section shall submit to the Secretary for his approval an evaluation plan that provides for examining the effectiveness of the project in both the home base and peripheral area of the State.

(2) Not later than October 1, 1992, the Secretary shall submit to the Congress a report containing a summary of the evaluations conducted by States pursuant to the plans described in paragraph (1).

(f) FUNDING.—(1) Three-fifths of the total amount appropriated pursuant to this section for any fiscal year for each State conducting a demonstration project shall be expended by such State for the provision of services and facilities within the State's designated project home base, and 5 percent of such three-fifths shall be set aside for the conduct of the State's evaluation as provided for in subsection (e).

(2) Two-fifths of the total amounts appropriated pursuant to this section for any fiscal year for each State conducting a demonstration project shall be expended by such State for the provision of services and facilities within the State's designated peripheral area, and 5 percent of such two-fifths shall be set aside for the conduct of the State's evaluation as provided for in subsection (e).

(g) DURATION.—A demonstration project conducted under this section shall be commenced not later than September 30, 1989, and shall be conducted for a 3-year period; except that the Secretary may terminate a project before the end of such period if he determines that the State conducting the project is not in substantial compliance with the terms of the agreement entered into with the Secretary under this section.

(h) AUTHORIZATION OF APPROPRIATIONS.—For the purpose of funding in equal amounts each State demonstration project conducted under this section, there is authorized to be appropriated not to exceed $1,500,000 for each of the fiscal years 1990, 1991, and 1992.

SEC. 507. EXTENSION OF MINNESOTA PREPAID MEDICAID DEMONSTRATION PROJECT.

Upon application by the State of Minnesota, the Secretary of Health and Human Services shall extend until June 30, 1990, the waiver granted to such State under section 1115(a) of the Social Security Act to conduct a prepaid medicaid demonstration project.

TITLE VI—MISCELLANEOUS PROVISIONS

SEC. 601. INCLUSION OF AMERICAN SAMOA AS A STATE UNDER TITLE IV.

(a) IN GENERAL.—The last sentence of section 1101(a)(1) of the Social Security Act (42 U.S.C. 1301(a)(1)) is amended to read as follows: "Such term when used in title IV also includes American Samoa.".

(b) LIMITATION ON PAYMENTS TO AMERICAN SAMOA.—Section 1108 of such Act (42 U.S.C. 1308) is amended—

(1) by redesignating subsection (d) as subsection (e); and

(2) by inserting after subsection (c) the following new subsection:

"(d) The total amount certified by the Secretary under parts A and E of title IV with respect to a fiscal year for payment to American Samoa (exclusive of any amounts on account of services and items to which, in the case of part A of such title, section 403(k) applies) shall not exceed $1,000,000.".

(c) CONFORMING AMENDMENTS.—(1) Section 403 of such Act (42 U.S.C. 603) is amended—

(A) in paragraphs (1) and (2) of subsection (a), by striking "and Guam," each place it appears and inserting in lieu thereof "Guam, and American Samoa,"; and

(B) in subsections (i)(4) and (j), by striking "or the Virgin Islands" and inserting in lieu thereof "the Virgin Islands, or American Samoa".

(2) The heading of section 1108 of such Act (42 U.S.C. 1308) is amended to read as follows:

"LIMITATION ON PAYMENTS TO PUERTO RICO, THE VIRGIN ISLANDS, GUAM, AND AMERICAN SAMOA".

(3) The last sentence of section 1118 of such Act (42 U.S.C. 1318) is amended by inserting before the period the following: ", and shall, in the case of American Samoa, mean 75 per centum with respect to part A of title IV".

(d) EFFECTIVE DATE.—The amendments made by this section shall become effective on October 1, 1988.

SEC. 602. INCREASE IN AMOUNT AVAILABLE FOR PAYMENT TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM.

(a) IN GENERAL.—Section 1108(a) of the Social Security Act (42 U.S.C. 1308(a)) is amended—

(1) in paragraph (1)—

(A) by striking "or" at the end of subparagraph (E); and

(B) by striking subparagraph (F) and insertign in lieu thereof the following:

"(F) $72,000,000 with respect to each of the fiscal years 1979 through 1988, or

"(G) $82,000,000 with respect to the fiscal year 1989 and each fiscal year thereafter;";

(2) in paragraph (2)—

(A) by striking "or" at the end of subpargaph (E); and

(B) by striking subparagraph (F) and inserting in lieu thereof the following:

"(F) $2,400,000 with respect to each of the fiscal years 1979 through 1988, or

"(G) $2,800,000 with respect to the fiscal year 1989 and each fiscal year thereafter;"; and

(3) in paragraph (3)—

(A) by striking "or" at the end of subparagraph (E); and

(B) by striking subparagraph (F) and inserting in lieu thereof the following:

"(F) $3,300,000 with respect to each of the fiscal years 1979 through 1988, or

"(G) $3,800,000 with respect to the fiscal year 1989 and each fiscal year thereafter.".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall become effective on October 1, 1988.

SEC. 603. ASSISTANT SECRETARY FOR FAMILY SUPPORT.

(a) IN GENERAL.—Part A of title IV of the Social Security Act (as amended by the preceding provisions of this Act) is further amended by adding at the end the following new section:

"ASSISTANT SECRETARY FOR FAMILY SUPPORT

"SEC. 418. The programs under this part, part D, and part F shall be administered by an Assistant Secretary for Family Support within the Department of Health and Human Services, who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall be in addition to any other Assistant Secretary of Health and Human Services provided for by law.".

(b) COMPENSATION.—Section 5315 of title 5, United States Code, is amended by striking "(4)" at the end of the item relating to Assistant Secretaries of Health and Human Services and inserting in lieu thereof "(5)".

(c) EFFECTIVE DATE.—The amendments made by this section shall become effective on February 1, 1989.

SEC. 604. RESPONSIBILITIES OF THE STATE.

(a) IN GENERAL.—Section 402(a) of the Social Security Act (as amended by sections 201(a), 401(a), 402(f), and 403(a) of this Act) is amended—

(1) by striking "and" at the end of paragraph (42);

(2) by striking the period at the end of paragraph (43) and inserting in lieu thereof "; and"; and

(3) by inserting immediately after paragraph (43) the following new paragraph:

"(44) provide that the State agency shall—

"(A) be responsible for assuring that the benefits and services under the programs under this part, part D, and part F are furnished in an integrated manner, and

"(B) consistent with the provisions of this title, ensure that all applicants for and recipients of aid to families with dependent children are encouraged, assisted, and required to cooperate in the establishment of paternity and the enforcement of child support obligations, and are notified of the paternity establishment and child support services for which they may be eligible.".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall become effective on July 1, 1989.

SEC. 605. ESTABLISHMENT OF PREELIGIBILITY FRAUD DETECTION MEASURES.

(a) IN GENERAL.—Section 402(a) of the Social Security Act (as amended by sections 201(a), 401(a), 420(f), 403(a), and 604(a) of this Act) is amended—

(1) by striking "and" at the end of paragraph (43);

(2) by striking the period at the end of paragraph (44) and inserting in lieu thereof "; and"; and

(3) by inserting immediately after paragraph (44) the following new paragraph:

"(45) provide (in accordance with regulations issued by the Secretary) for appropriate measures to detect fraudulent applications for aid to families with dependent children prior to the establishment of eligibility for such aid.".

(b) EFFECTIVE DATE; REGULATIONS.—(1) The amendments made by subsection (a) shall become effective on October 1, 1989.

(2) The Secretary of Health and Human Services shall issue final regulations with respect to the requirement added by the amendment made by subsection (a) not later than 6 months after the date of the enactment of this Act.

SEC. 606. UNIFORM REPORTING REQUIREMENTS.

Section 403 of the Social Security Act is amended by inserting immediately before subsection (f) the following new subsection:

"(e) In order to assist in obtaining the information needed to carry out subsection (b)(1) and otherwise to perform his duties under this part, the Secretary shall establish uniform reporting requirements under which each State will be required periodically to furnish such information and data as the Secretary may determine to be necessary to ensure that sections 402(a)(37), 402(a)(42), and 402(g)(1)(A)(i), and are being effectively implemented, including at a minimum the average monthly number of families assisted under each such section, the types of such families, the amounts expended with respect to such families, and the length of time for which such families are assisted. The information and data so furnished with respect to families assisted under section 402(g) shall be separately stated with respect to families who have earnings and those who do not, and with respect to families who are receiving aid under the State plan and those who are not.".

SEC. 607. STATE REPORTS ON EXPENDITURE AND USE OF SOCIAL SERVICES FUNDS.

Section 2006 of the Social Security Act is amended—

(1) by striking that part of the second sentence of subsection (a) which precedes "as the State finds necessary" and inserting in lieu thereof "Reports shall be prepared annually, covering the most recently completed fiscal year, and shall be in such form and contain such information (including but not limited to the information specified in subsection (c))";

(2) by redesignating subsection (c) as subsection (d); and

(3) by inserting after subsection (b) the following new subsection:

"(c) Each report prepared and transmitted by a State under subsection (a) shall set forth (with respect to the fiscal year covered by the report)—

"(1) the number of individuals who received services paid for in whole or in part with funds made available under this title, showing separately the number of children and the number of adults who received such services, and broken down in each case to reflect the types of services and circumstances involved;

"(2) the amount spent in providing each such type of service, showing separately for each type of service the amount spent per child recipient and the amount spent per adult recipient;

"(3) the criteria applied in determining eligibility for services (such as income eligibility guidelines, sliding fee scales, the effect of public assistance benefits, and any requirements for enrollment in school or training programs); and

"(4) the methods by which services were provided, showing separately the services provided by public agencies and those provided by private agencies, and broken down in each case to reflect the types of services and circumstances involved.

The Secretary shall establish uniform definitions of services for use by the States in preparing the information required by this subsection, and make such other provision as may be necessary or appropriate to assure that compliance with the requirements of this subsection will not be unduly burdensome on the States.".

SEC. 608. MISCELLANEOUS TECHNICAL CORRECTIONS TO MEDICARE CATASTROPHIC COVERAGE ACT OF 1988.

(a) MODIFICATION OF PROVISIONS RELATING TO EMPLOYMENT MAINTENANCE OF EFFORT.—Section 421 of the Medicare Catastrophic Coverage Act of 1988 is amended—

(1) in subsection (a)(1)—

(A) by striking "(c)(1)" and inserting "(c)(1)(A)", and

(B) by striking "during the period described in subsection (c)(1)(A)" and inserting "(determined as if they were provided in that period)";

(2) in subsection (a)(2)—

(A) by striking "(c)(2)" and inserting "(c)(1)(B)", and

(B) by striking "during the period described in subsection (c)(1)(B)" and inserting "(determined as if they were provided in that period)";

(3) in subsections (a)(3)(A) and (a)(3)(B), by inserting "provided as of the date of the enactment of this Act" after "means benefits";

(4) in subsection (b)(1)—

(A) by inserting "1989" after "50 percent of the", and

(B) by striking "of the duplicative part A benefits" and inserting "of the benefits under part A of title XVIII of the Social Security Act (as amended by this Act as of January 1, 1989) which were not covered under part A of title XVIII of the Social Security Act as such part was in effect on the day before the date of the enactment of this Act";

(5) in subsection (b)(2)—

(A) by inserting "1990" after "50 percent of the", and

(B) by striking "of the duplicative part B benefits" and inserting "of the benefits under part B of title XVIII of the Social Security Act (as amended by this Act as of January 1, 1990, but excluding any such benefits with respect to covered outpatient drugs) which were not covered under part B of title XVIII of the Social Security Act as such part was in effect on the day before the date of the enactment of this Act."; and

(6) in subsection (b)(3)—

(A) in subparagraph (A), by striking "the actuarial value of duplicative part A benefits and duplicative part B benefits" and inserting "the amount of the additional benefits or refunds to be provided under subsections (a)(1) and (a)(2)";

(B) in subparagraph (A)(i), by striking "on the basis of" and inserting "as being equal to the respective national";

(C) in subparagraph (B), by striking "COMPUTATION OF ACTUARIAL VALUE" and inserting "PUBLICATION OF GUIDELINES AND NATIONAL AVERAGE ACTUARIAL VALUES FOR MINIMUM ADDITIONAL BENEFITS AND REFUNDS"; and

(D) by striking clause (i) of subparagraph (B) and all that follows through "shall include instructions" and inserting the following:

"(i) calculate and publish—

"(I) the national average actuarial value for the following year of the benefits under part A of title XVIII of the Social Security Act (as amended by this Act as of January 1, 1989) which were not covered under such part as such part was in effect before the date of the enactment of this Act, and

"(II) the national average actuarial value for the following year of the benefits under part B of title XVIII of the Social Security Act (as amended by this Act as of January 1, 1990, but excluding any such benefits with respect to covered outpatient drugs) which were not covered under such part as such part was in effect before the date of the enactment of this Act,

to be used by employers who exercise the option under subparagraph (A)(i) in determining the minimum amount of additional benefits or refunds to be provided under subsections (a)(1) and (a)(2), respectively; and

"(ii) publish guidelines to be used by employers who exercise the option under subparagraph (A)(ii) in determining the minimum amount of additional benefits or refunds to be provided under subsections (a)(1) and (a)(2), respectively.

The Secretary shall publish, before the beginning of 1989 with respect to part A benefits and before the beginning of 1990 with respect to part B benefits, guidelines".

(b) INCLUSION OF PROVISIONS REPEALING AUTHORITY TO ADMINISTER PROFICIENCY EXAMINATIONS.—The Medicare Catastrophic Coverage Act of 1988 is amended by inserting after section 429 the following new section (and by inserting a corresponding item in the table of contents of such Act):

"SEC. 430. REPEAL OF AUTHORITY TO ADMINISTER PROFICIENCY EXAMINATIONS.

"(a) REPEAL.—Section 1123 of the Social Security Act (42 U.S.C. 1320a-2) is repealed.

"(b) EFFECT OF REPEAL.—Nothing in the amendment made by subsection (a) shall be construed as affecting the qualification of any individual, who has been determined under the program established under section 1123 of the Social Security Act to be qualified to perform the duties and functions of a health care specialty, to perform such duties and functions.".

(c) CONTINUATION OF COST PASS-THROUGH FOR CERTIFIED REGISTERED NURSE ANESTHETISTS.—Section 9320 of the Omnibus Budget Reconciliation Act of 1986 is amended—

(A) in subsection (i), by striking "The amendments" and inserting "Except as provided in subsection (k), the amendments", and

(B) by adding at the end the following new subsection:

"(k) AUTHORIZATION OF CONTINUATION OF PASS-THROUGH.—

"(1) Subject to paragraph (2), the amendments made by this section shall not apply during 1989, 1990, and 1991 to a hospital located in a rural area (as defined for purposes of section 1886(d) of the Social Security Act) if the hospital establishes, before April 1, 1989, to the satisfaction of the Secretary of Health and Human Services that—

"(A) as of January 1, 1988, the hospital employed or contracted with a certified registered nurse anesthetist (but not more than one full-time equivalent certified registered nurse anesthetist),

"(B) in 1987 the hospital had a volume of surgical procedures (including inpatient and outpatient procedures) requiring anesthesia services that did not exceed 250 (or such higher number as the Secretary determines to be appropriate), and

"(C) each certified registered nurse anethetist employed by, or under contract with, the hospital has agreed not to bill under part B of title XVIII of such Act for professional services furnished by the anesthetist at the hospital.

"(2) Paragraph (1) shall not apply in 1990 or 1991 to a hospital unless the hospital establishes, before the beginning of each respective year, that the hospital has had a volume of surgical procedures (including inpatient and outpatient procedures) requiring anesthesia services in the previous year that did not exceed 250 (or such higher number as the Secretary determines to be appropriate).

"(3) The Secretary shall implement this subsection in such a manner as to maintain budget neutrality consistent with section 1833(l)(3) of the Social Security Act.".

(d) MISCELLANEOUS TECHNICAL CORRECTIONS TO VARIOUS PROVISIONS IN THE MEDICARE CATASTROPHIC COVERAGE ACT OF 1988 ("MCCA").—

(1) ABBREVIATIONS USED.—In this subsection:

(A) The term "MCCA" refers to the Medicare Catastrophic Coverage Act of 1988 (Public Law 100–360).

(B) The term "OBRA" refers to the Omnibus Budget Reconciliation Act of 1987 (Public Law 100–203).

(2) SECTION 103.—The second sentence of section 1818(d)(1) of the Social Security Act, as amended by section 103 of MCCA, is amended by striking "entire".

(3) SECTION 104.—Section 104 of MCCA is amended—

(A) in subsection (a)(1), by striking "paragraphs (2) and (3)" and inserting "paragraph (2) and subsection (b)";

(B) in subsection (b)(1)—

(i) by striking "(1) the amendment made to section 1813(a)(1) of such Act" and inserting "(1)(A) section 1813(a)(1) of such Act (as amended by this subtitle)", and

(ii) by adding at the end the following new subparagraph:

"(B) if that individual begins a period of hospitalization (as defined in such section) during 1989 or 1990 after the end of that spell of illness, the first period of hospitalization during 1989 or 1990 that begins after that spell of illness shall be con-

sidered to be (for purposes of such section) the first period of hospitalization that begins during that year; and";

(C) in subsections (c)(1) and (c)(2), by striking "by medicare beneficiaries" and inserting "by (or on behalf of) medicare beneficiaries";

(D) in subsection (c)(2), by striking "cost reporting periods beginning on or after October 1, 1988" and inserting "portions of cost reporting periods occurring on or after January 1, 1989";

(E) in subsection (c)(2), by inserting before the period at the end the following: ", without regard to whether such a hospital is paid on the basis described in subparagraph (A) or (B) of section 1886(b)(1) of such Act";

(F) in subsection (d)(5), by striking "each place it appears"; and

(G) by adding at the end of subsection (d) the following new paragraph:

"(7) Section 1833(b) (42 U.S.C. 13951(b)) is amended by adding at the end the following new sentence: 'The deductible under the previous sentence for blood or blood cells furnished an individual in a year shall be reduced to the extent that a deductible has been imposed under section 1813(a)(2) to blood or blood cells furnished the individual in the year.'.".

(4) SECTION 201.—Section 201(a)(1)(A) of MCCA is amended by striking "subsection" and inserting "subsections".

(5) SECTION 202.—(A) Section 1842(o)(1) of the Social Security Act, as added by section 202(c)(1)(C) of MCCA, is amended—

(i) in subparagraph (A)(i), by striking "subparagraph (D)(i)" and inserting "paragraph (4)", and

(ii) in subparagraph (B)(ii), by inserting "an" before "eligible organization".

(B) Section 1842(f)(3) of the Social Security Act, as added by section 202(e)(1) of MCCA, is amended by inserting ", including claims processing functions" after "and related functions".

(C) Section 1842(b)(3)(K) of the Social Security Act, as added by section 202(e)(2)(B) of MCCA, is amended by inserting ", including claims processing functions," after "and for related functions".

(D) Section 1842(c)(1)(A)(ii) of the Social Security Act, as added by section 202(e)(3)(A)(iii) of MCCA, is amended by inserting ", including claims processing functions" after "and related functions".

(E) Section 202(e)(3)(B) of MCCA is amended by inserting ", including claims processing functions" after "and related functions".

(F) Section 202(e)(3)(C) of MCCA is amended by striking "Section 1842(b)(2)" and inserting "Section 1842(b)(2)(A)".

(G) Section 1842(b)(2)(A) of the Social Security Act, as amended by section 202(e)(3)(C) of MCCA, as revised by the previous amendment, is amended by inserting ", including claims processing functions" after "and related functions".

(H) Section 202(e)(5)(A) of MCCA is amended by—

(i) by striking "paragraph (3)" and inserting "paragraph (4)", and

(ii) by adding "and" after the semicolon at the end.

(I) Section 1847(b)(3) of the Social Security Act, as added by section 202(j) of MCCA, is amended by striking "the contingency margin (established under section 1841A(d) for the following year)" and inserting "the contingency margin required for the following year".

(6) SECTION 203.—(A) Section 1861 of the Social Security Act is amended by adding immediately before subsection (jj), as added by section 203(b) of MCCA, the following new heading:

"Home Intravenous Drug Therapy Services".

(B) Section 203(c)(3) of MCCA is amended by adding at the end the following new sentence: "Chapter 35 of title 44, United States Code, shall not apply to information required for purposes of carrying out this paragraph.".

(7) SECTION 205.—Section 205(e)(1)(A) of MCCA is amended by redesignating clause (iv) as clause (iii).

(8) SECTION 208.—The second sentence of section 208(b) of MCCA is amended by striking "shall include in the report" and inserting "shall report, not later than 2 years after the date of the enactment of this Act,".

(9) SECTION 211.—(A) Section 1839(g) of the Social Security Act, as added by section 211(a) of MCCA, is amended—

(i) in paragraph (1)(B)(iii)(I), by striking "and" and inserting "over",

(ii) in paragraph (1)(B)(iii)(II), by inserting "premium" after "supplemental", and

(iii) in paragraph (7)(A)(ii), by inserting "each" before "such year,".

(B) Section 1839(f) of the Social Security Act, as amended by section 211(b) of MCCA, is amended by striking "for that January below the amount of benefits payable for that individual for that December" and inserting "for that December below the amount of benefits payable for that individual for that November".

(10) SECTION 212.—(A) Section 1841A(a)(1) of the Social Security Act, as amended by section 212(a) of MCCA, is amended by striking "1841(j)" and inserting "1840(i)".

(B) Section 1840(i) of the Social Security Act, as added by section 212(b)(1) of MCCA, is amended by striking "Supplemental" and inserting "Supplementary".

(11) SECTION 213.—Section 213 of MCCA is amended by striking "(a) IN GENERAL.—".

(12) SECTION 221.—Section 221(g)(2) of MCCA is amended by striking "subsection (c)" and inserting "subsection (d)".

(13) SECTION 222.—Section 222 of MCCA is amended—

(A) in paragraph (1), by striking "sections 1833(a)(1)(A) and 1876" and inserting "section 1876", and

(B) in paragraph (2), by inserting "and organizations paid under section 1833(a)(1)(A) of such Act" after "organizations".

(14) SECTION 301.—Section 301 of MCCA is amended—

(A) in subsection (b)(1), by striking "clause (ii)" and inserting "subparagraph (B)" and by adding "and" at the end;

(B) by striking paragraph (2) of subsection (b) and by redesignating paragraph (3) of such subsection as paragraph (2);

(C) in subsection (b)(2), as so redesignated, by striking "by adding at the end the following new clause" and inserting "by striking subparagraph (B) and inserting the following";

(D) in the matter inserted by subsection (b)(2), as so redesignated and amended—

(i) by redesignating subclauses (I) through (IV) of clause (ii) and subclauses (I) through (V) of clause (iii) as clauses (i) through (iv) of subparagraph (B) and clauses (i) through (v) of subparagraph (C), respectively;

(ii) in subparagraph (B), as so redesignated, by striking "in clause (iii)" and inserting "in subparagraph (C)",

(iii) in subparagraph (C), as so redesignated, by striking "under clause (ii)" and inserting "under subparagraph (B)";

(E) in subsection (c)—

(i) by adding "and" at the end of paragraph (1),

(ii) by striking "; and" at the end of paragraph (2), and inserting a period, and

(iii) by striking paragraph (3);

(F) in subsection (d)(2), in the subparagraph (C) amended by such paragraph, by inserting "section" before "1833(b)";

(G) in subsection (d)—

(i) by redesignating paragraphs (1) through (3) as paragraphs (2) through (4), respectively, and

(ii) by inserting before paragraph (2), as so redesignated, the following new paragraph:

"(1) in paragraph (3), by inserting ', without regard to whether the costs incurred were for items and services for which medical assistance is otherwise available under the plan' after 'qualified medicare beneficiary' the first place it appears;";

(H) in subsection (e)(1)—

(i) by inserting "(A)" before "Section", and

(ii) by adding at the end the following new subparagraph:

"(B) Subsection (h)(1) of such section is further amended by inserting '(A)' after 'include' and by inserting before the period at the end the following: ', or (B) qualified medicare beneficiaries (as defined in section 1905(p)(1))'.";

(I) in subsection (e)(2)—

(i) in subparagraph (C), by striking "and" at the end and by redesignating such subparagraph as subparagraph (D);

(ii) in subparagraph (D), by striking the period at the end and inserting ", and" and by redesignating such subparagraph as subparagraph (E); and

(iii) by inserting after subparagraph (B) the following new subparagraph:

"(C) in subsection (a), by striking paragraph (15);";

(J) in paragraph (5)(B) of the matter added by subsection (g)(2)—

(i) by striking "paragraph (2)(A)" and inserting "paragraph (2)", and

(ii) by striking "clause (ii)" and inserting "subparagraph (B)"; and

(K) in subsection (h)(2), by inserting "first calendar quarter beginning after the close of the" after "additional requirements before the first day of the".

(15) SECTION 302.—(A) Section 302(a)(2)(B) of MCCA is amended—

(i) in clause (i), by striking "not more" and inserting "(not more", and

(ii) in clause (iii), by striking "clause" and inserting "clauses".

(B) Section 1902(l)(2)(A) of the Social Security Act, as added by section 302(a)(2)(B)(iii) of MCCA, is amended—

(i) in clause (ii)—

(I) by striking "Subject to clause (iii), the" and inserting "The",

(II) in subclause (I), by inserting "or, if greater, the percentage provided under clause (iii)," after "75 percent,"; and

(ii) in clause (iii), by striking "(ii)" each place it appears and inserting "(ii)(I)".

(C) Section 1923(a)(2) of the Social Security Act is amended by indenting the subparagraph (C) added by section 302(b)(2) of MCCA 2 ems.

(16) SECTION 303.—(A) Section 1924 of the Social Security Act, as inserted by section 303(a)(1)(B) of MCCA, is amended—

(i) in the last sentence of subsection (c)(1)(B), by striking "has a right to a fair hearing" and all that follows through "needs allowance" and inserting "will have a right to a fair hearing under subsection (e)(2)";

(ii) in subsection (c)(2)(B), by striking "resources shall not" and all that follows through "does not exceed" and inserting "resources shall be considered to be available to an institutionalized spouse, but only to the extent that the amount of such resources exceeds";

(iii) in subsection (d)(3)(A)(i), by striking "nonfarm";

(iv) in subsection (d)(4), by striking "subparagraph (C)" and inserting "subparagraph (B)";

(v) in the first sentence of subsection (e)(2)(A), by inserting before the period at the end the following: "if an application for benefits under this title has been made on behalf of the institutionalized spouse";

(vi) in subsection (f)(1)—

(I) by striking "to the community spouse (or to another for the sole benefit of the community spouse)", and

(II) by striking "pacticable" and inserting "practicable"; and

(vii) in subsection (f)(3), by striking "spouse of a family member" and inserting "spouse or a family member".

(B) Section 1917(c) of the Social Security Act, as amended by section 303(b) of MCCA, is amended—

(i) in paragraph (1)—

(I) by inserting "for nursing facility services and for a level of care in a medical institution equivalent to that of nursing facility services and for services under section 1915(c)" after "period of ineligibility" the first place it appears,

(II) by inserting "or after" after "during",

(III) by striking "the individual's application for medical assistance under the State plan" and inserting "the date the individual becomes an institutionalized individual (if the individual is entitled to medical assistance under the State plan on such date) or, if the individual is not so entitled, the date the individual applies for such assistance while an institutionalized individual",

(ii) in paragraph (2)(A)(ii), by inserting "(I)" after "who" and by inserting "(II)" after "or" the first place it appears;

(iii) in paragraph (2)(A)(iii), by striking "of the individual's admission to the medical institution or nursing facility" and inserting "the individual becomes an institutionalized individual";

(iv) in paragraph (2)(A)(iv), by striking "of such individual's admission to the medical institution or nursing facility" and inserting "the individual becomes an institutionalized individual";

(v) in paragraph (2)(B)—

(I) by inserting "(i)" after "transferred", and

(II) by striking "or the individual's child who is blind or permanently and totally disabled" and inserting ", (ii) to the individual's child described in subparagraph (A)(ii)(II), or (iii) to (or to another for the sole benefit of) the individual's spouse if such spouse does not transfer such resources to another person other than the spouse for less than fair market value";

(vi) in paragraph (3), by striking "in a medical institution or nursing facility" and inserting "in a nursing facility, who is an inpatient in a medical institution and with respect to whom payment is made based on a level of care provided in a nursing facility, or who is described in section 1902(a)(10)(A)(ii)(VI)"; and

(v) by adding at the end the following new paragraph:

"(5) In this subsection, the term 'resources' has the meaning given such term in section 1613, without regard to the exclusion described in subsection (a)(1) thereof.".

(C) Section 1902(r)(2)(A) of the Social Security Act, as added by section 303(e)(5)(C) of MCCA, is amended by striking "or under subsection (f)" and inserting "or (f) or under section 1905(p)".

(D) Section 303 of MCCA is amended—

(i) in paragraph (2)(B), by inserting before the period at the end the following: ", except that such section shall not apply with respect to inter-spousal transfers occurring before October 1, 1989";

(ii) in paragraph (2)(C), by inserting before the period at the end the following: ", and the laws and policies established by the State as of June 30, 1988, or provided for before July 1, 1988, shall continue to apply through September 30, 1989, (and may, at a State's option continue after such date) to inter-spousal transfers occurring before October 1, 1989"; and

(iii) in paragraph (5), by striking "other than subsection (e)" and inserting "other than paragraphs (1) and (5) of subsection (e)".

(17) SECTION 411(a).—Section 1842(n)(1)(A) of the Social Security Act, as clarified by section 411(a)(3)(C) of MCCA, is amended by striking "the the supplier's" and inserting "the supplier's".

(18) SECTION 411(b).—(A) Subclauses (III) and (IV) of section 1886(b)(3)(B)(i) of the Social Security Act, as amended by section 411(b)(1)(A) of MCCA, are amended by striking "for for hospitals" and inserting "for hospitals".

(B) Section 411(b)(1)(E) of MCCA is amended by designating subparagraph (E) as clause (ii) and by inserting immediately before such subparagraph the following:

"(E)(i) Section 1886(d)(3)(A)(i) of the Social Security Act, as amended by section 4002(c)(1)(B)(i) of OBRA, is amended by striking 'occuring' and inserting 'occurring'.".

(C) Section 411(b)(4) of MCCA is amended by adding at the end the following new subparagraph:

"(E) Section 4005(b)(3)(B) of OBRA is amended by striking 'on' after '(B)'.".

(D) Section 411(b)(6)(C) of MCCA is amended—

(i) in clause (ix)(I), by striking "payors" and inserting "payers",

(ii) in clause (ix)(III), by striking "and" before "other persons", and

(iii) in clause (x)(II), by striking "operation" and inserting "operations".

(E) Section 411(b)(8)(A)(i) of MCCA is amended, in paragraph (1)(A)(ii) of the amendment inserted by such section, by inserting "the" immediately before "previous".

(19) SECTION 411(c).—Section 411(c) of MCCA is amended—

(A) in paragraph (2), by adding at the end the following new subparagraph:

"(C) Section 1866(a)(1) of the Social Security Act, as amended by section 4012(a) of OBRA, is amended—

"(i) by striking 'and' at the end of subparagraph (M), and

"(ii) by striking the period at the end of subparagraph (N) and inserting ', and'.";

(B) in paragraph (4)—

(i) by striking "and" at the end of subparagraph (A),

(ii) by redesignating subparagraph (B) as subparagraph (C), and

(iii) by inserting after subparagraph (A) the following new subparagraph:

"(B) in subparagraph (B)(i), by inserting 'of such subparagraph' after '(v)(I)', and"; and

(C) by redesignating paragraph (5) as paragraph (6) and by inserting after paragraph (4) the following new paragraph:

"(5) SECTION 4015.—Section 4015(a) of OBRA is amended—

"(A) in the first sentence of paragraph (7) by striking 'the the' and inserting 'the', and

"(B) in paragraph (10), by striking 'affect' and inserting 'effect'.".

(20) SECTION 411(d).—(A) Section 411(d)(2)(A) of MCCA is amended by striking "by inserting" and all that follows and inserting the following: "to read as follows: 'The provisions of section 1128A (other than subsections (a) and (b)) shall apply to a civil money penalty under this paragraph in the same manner as such provisions apply to a penalty or proceeding under section 1128A.'.".

(B) Section 411(d)(4)(A) of MCCA is amended—

(i) in clause (i)—

(I) by striking "accreditation" the first place it appears and inserting "certification", and

(II) by striking "accreditation survey conducted by a State agency or" and inserting "certification survey conducted by a State agency or accreditation survey conducted by a"; and

(ii) in clause (ii), amend subclause (II) to read as follows:

"(II) by striking 'pursuant to an agreement with the Secretary under section 1864' and inserting 'utilized by the Secretary under section 1865'.".

(C) Section 411(d)(4)(A)(ii)(I) of MCCA is amended by striking "such".

(D) The subsection inserted by section 411(d)(4)(B)(ii) of MCCA is amended by striking "agency" and inserting "agency)".

(21) SECTION 411(f).—(A) Section 1842(i)(3) of the Social Security Act, as redesignated by section 4042(b)(1)(C)(iii) of OBRA as amended by section 411(f)(2)(C) of MCCA, is amended by striking "paragraph (3)" and inserting "subsection (b)(3)".

(B) Section 411(f)(2)(F)(i) of MCCA is amended, in the matter inserted by such section—

(i) by striking "139u(b)(4)(A)" and inserting "1395u(b)(4)(A)", and

(ii) by striking the closing single quotation mark and the period that follows it.

(C) Section 411(f)(8)(D) of MCCA is amended by redesignating clauses (ii) through (v) as clauses (iii) through (vi), respectively, and by inserting after clause (i) the following new clause:

"(ii) in paragraph (4)(C), by striking 'Radiologist' and inserting 'For radiologist', and by striking '1842(b)(4)(E)(ii)' and inserting '1842(i)(3)';".

(D) Section 411(f)(9)(B) of MCCA is amended by inserting "and inserting '(or other applicable limit)' " before the semicolon at the end.

(E) Section 411(f)(10)(A)(iii) of MCCA is amended by striking "physician" and inserting "individual".

(F) Section 411(f)(10)(C)(i) of MCCA is amended—

(i) by striking "and" at the end of subclause (V),

(ii) by striking the period at the end of subclause (VI) and inserting ", and", and

(iii) by adding at the end the following new subclause:

"(VII) in subsection (d)(2), by striking 'continued' and inserting 'continues'.".

(G) Subclause (II) of section 411(f)(10)(C)(i) of MCCA is amended to read as follows:

"(II) by striking 'physician' and 'a physician' each place either appears (other than the third place either appears in subsection (a)(4)) and inserting 'individual' and 'an individual', respectively;".

(H) Section 411(f)(10)(C)(i)(IV) of MCCA is amended—

(i) by striking "paragraph (1)(A)" and inserting "subsection (a)(1)(A)", and

(ii) by striking the comma after "Loan Program".

(22) SECTION 411(g).—(A) Section 411(g)(1)(B) of MCCA is amended—

(i) by amending clause (xi) to read as follows:

"(xi) in paragraphs (8)(B) and (9)(B), by striking '(as defined in section 1886(d)(2)(D))' and inserting '(as defined by the Secretary)' and, in clause (i) of such paragraphs, by striking the comma after '1991';" and

(ii) by amending clause (xv) to read as follows:

"(xv) in paragraph (12), by striking 'for each region (as defined in section 1886(d)(2)(D))' and inserting 'for one or more entire regions defined for purposes of paragraphs (8)(B) and (9)(B)'; and".

(B) Section 1833(i)(6) of the Social Security Act, as added by section 4063(e)(1) of OBRA as amended by section 411(g)(2)(E) of MCCA, is amended by striking "other than" and inserting "including".

(C) Section 411(g)(3)(G)(i)(I) of MCCA is amended by striking "and 'certification' " and by striking "and 'approval', respectively".

(D) Section 411(g)(4)(C)(i) of MCCA is amended striking the comma after "1988" the first place it appears.

(23) SECTION 411(h).—(A) Section 411(h)(3)(B) of MCCA is amended by redesignating clauses (i) and (ii) as clauses (ii) and (iii), respectively, and by inserting before clause (ii), as so redesignated, the following new clause:

"(i) by striking '1395' and inserting '1395l';".

(B) Section 1861(s)(2)(K)(i)(I) of the Social Security Act, as designated by the amendment made by section 411(h)(6) of MCCA, is amended by striking "intermediate care facility (as defined in section 1905(c))" and inserting "nursing facility (as defined in section 1919(a))".

(24) SECTION 411(i).—(A) Section 411(i)(1)(E) of MCCA is amended by striking the comma after "1988".

(B) The paragraph (26) inserted by section 411(i)(4)(C)(vi) of MCCA is amended—

(i) by striking "and" at the end of subparagraph (A),

(ii) by adding "and" at the end of clause (i) of subparagraph (B), and

(iii) by redesignating clause (iii) of subparagraph (B) as subparagraph (C) and by moving the indentation of such subparagraph 2 ems to the left.

(C) Section 411(i)(4) of MCCA is amended—

(i) in subparagraph (D)(i)(I), by striking ", 1842(j)(2), or 1867(d)" and inserting "or 1842(j)(2)", and

(ii) in subparagraph (D)(ii)—

(I) by inserting "and" at the end of subclause (III),

(II) by striking subclause (IV), and

(III) by redesignating subclause (V) as subclause (IV).

(25) SECTION 411(j).—(A) Section 411(j)(3) of MCCA is amended by adding at the end the following new subparagraph:

"(C) Section 4094(e) of OBRA is amended by striking 'feasability' and inserting 'feasibility'.".

(B) Section 411(j)(4)(C) of MCCA is amended by striking "before 'paragraph (2)' ".

(26) SECTION 411(k).—(A) Section 411(k)(6)(A)(vi)(IV) of MCCA is amended by striking "the election made by a State under" and inserting "whether the hospital is described in subparagraph (A) or (B) of".

(B) Section 411(k)(6)(A)(vii)(II) of MCCA is amended by inserting "the first place it appears" before the comma.

(C) The paragraph added by section 411(k)(6)(A)(vii)(III) of MCCA is amended by striking "Statewide" and inserting "statewide".

(D) Section 1923(b)(3)(B)(i) of the Social Security Act, as redesignated by section 411(k)(6)(B)(i) of MCCA and as amended by section 411(k)(6)(A)(v) of MCCA, is amended by inserting "of subparagraph (A)" after "clause (i)(II)".

(E) Section 1923(c) of the Social Security Act, as designated by section 411(k)(6)(B)(i) of MCCA, by striking "subsection (c)" and inserting "this subsection".

(F) Section 411(k)(6)(B)(vi) of MCCA is amended by striking "(c)" and inserting "(d)".

(G) Section 411(k)(9) of MCCA is amended by striking "(A)" immediately after ".—".

(H) Section 411(k)(10)(B)(ii)(II) of MCCA is amended by striking "1128(a)" and "1320a-7(a)" and inserting "1128A(a)" and "1320a-7a(a)", respectively.

(I) Section 1128A(i) of the Social Security Act, as added by section 4118(e)(1)(B) of OBRA and as amended by section 411(k)(10)(B)(ii)(III) of MCCA, is amended by inserting "for penalties, assessments, and an exclusion" after "liable".

(J) Section 4118(e)(10)(C) of OBRA, as added by section 411(k)(10)(D) of MCCA, is amended by inserting "of subsection (i)" after "at the end".

(K) Section 411(k)(10)(D) of MCCA is amended—

(i) in the paragraph (6)(B) inserted by such section, by striking "or section 1867(d)(2)", and

(ii) in subparagraphs (A) and (B) of the paragraph (11) inserted by such section and in the paragraphs (12) and (13)

inserted by such section, by striking "1842(j)(2), or 1867(d)(2)" and inserting "or 1842(j)(2)".

(L) Section 411(k)(16)(B) of MCCA is amended—

(i) by striking "and" at the end of clause (ii),

(ii) by redesignating clause (iii) as clause (iv), and

(iii) by inserting after clause (ii) the following new clause:

"(iii) in clause (iii), by striking the period at the end and inserting '; or', and".

(M) Section 411(k)(17)(A)(iv) of MCCA is amended by inserting a comma immediately before "(d)" the second place it appears.

(27) SECTION 411(l).—(A) Section 411(l)(1)(A) of MCCA is amended by redesignating clauses (iv) through (xi) as clauses (v) through (xii), respectively, and by inserting after clause (iii) the following new clause:

"(iv) in subsection (c)(1), by adding at the end the following new subparagraph:

" '(D) USE OF PSYCHOPHARMACOLOGIC DRUGS.—Psychopharmacologic drugs may be administered only on the orders of a physician and only as part of a plan (included in the written plan of care described in paragraph (2)) designed to eliminate or modify the symptoms for which the drugs are prescribed and only if, at least annually, an independent, external consultant reviews the appropriateness of the drug plan of each resident receiving such drugs.'.".

(B) Section 411(l)(1) of MCCA is amended by adding at the end the following new subparagraph:

"(C) Section 4201(d) of OBRA, as amended by subparagraph (B), is further amended by adding at the end the following new paragraphs:

" '(3) Section 1883(f) of such Act (42 U.S.C. 1395tt(f)) is amended by striking "section 1861(j)(15)" and inserting "section 1819".'.

" '(4) The third sentence of section 1864(a) of such Act (42 U.S.C. 1395aa(a)) is amended by striking "1861(j)" and inserting "1819(a)".

" '(5) Section 1861(n) of such Act (42 U.S.C. 1395x(n)) is amended by striking "or (j)(1) of this section" and inserting "of this section or section 1819(a)(1)".'.".

(C) Section 411(l)(2)(A) of MCCA is amended by inserting a comma immediately after "this title" and immediately after "title XVIII".

(D) Section 411(l)(2)(D)(i) of MCCA is amended by striking "care".

(E) Section 411(l)(3)(C) of MCCA is amended by inserting "(i)" after "(C)" and by adding at the end the following new clauses:

"(ii) Section 4211 of OBRA (101 Stat. 1330–196) is amended by striking the following (and the immediately preceding quotation marks and period):

" '(c) STATE REQUIREMENTS RELATING TO NURSING FACILITY REQUIREMENTS.—Section 1919 of such Act is further amended by adding at the end the following new subsection:'.

"(iii) Section 1919(c)(2)(B)(iii)(III) of the Social Security Act, as inserted by section 4211(a)(3) of OBRA, is amended by striking 'responsibile' and inserting 'responsible'.".

(F) Section 411(l)(3)(H)(i) of MCCA is amended by striking "each place it appears".

(G) Section 411(l)(3)(H)(iii) of MCCA is amended by inserting "services" immediately after "nursing facility" the first place it appears.

(H) Section 411(l)(3) of MCCA is amended by adding at the end the following new subparagraph:

"(J) Section 4211(h)(2)(B) of OBRA is amended by inserting a comma before 'nursing facility,' the second place it appears.".

(I) Section 411(l)(5) of MCCA is amended by redesignating subparagraphs (F) and (G) as subparagraphs (G) and (H), respectively, and by inserting after subparagraph (E) the following new subparagraph:

"(F) in paragraph (2)(B)(ii), by striking 'practical' and inserting 'practicable';".

(J) Section 411(l)(6) of MCCA is amended by adding at the end the following new subparagraph:

"(F) Section 1910(b)(1) of the Social Security Act, as redesignated by section 4212(e)(3)(C) of OBRA, is amended by inserting 'or section 1919' after '1902(a)(28)'.".

(K) Section 411(l)(9)(B)(ii) of MCCA is amended by striking "(c) as subsection (d)" and inserting "(b) as subsection (c)".

(L) Section 411(l) of MCCA is further amended by adding at the end the following new paragraph:

"(11) SECTION 4203.—Section 1819(h)(5) of the Social Security Act, as added by section 4203(a)(2) of OBRA, is amended by striking '(iii), and (iv) of paragraph (2)(A)' and inserting 'and (iii) of paragraph (2)(B)'.".

(28) SECTION 411(n).—Section 411(n) of MCCA is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

"(3) SECTION 9116.—Subsection (d) of section 9116 of OBRA is amended to read as follows:—

" '(d) CONFORMING AMENDMENT.—Section 1923(a)(2) of the Social Security Act, as amended by section 4118(p)(9) of this Act, is amended by adding at the end the following new subparagraph:

" ' "(E) Section 1634(d) of this Act (relating to individuals who lose eligibility for SSI benefits due to entitlement to early widow's or widower's insurance benefits under section 202(e) or (f) of this Act)." '.".

(29) SECTION 411(p).—Section 411 of MCCA is amended by adding at the end the following new subsection:

"(p) MISCELLANEOUS.—Section 2312(c) of the Deficit Reduction Act of 1984, as amended by section 9320(a) of the Omnibus Budget Reconciliation Act of 1986, is amended by striking 'end' and inserting 'ends'.".

(30) SECTION 428.—(A) Subsection (c)(1) of section 1140 of the Social Security Act, as added by section 428(a) of MCCA, is amended to read as follows:

"(c)(1) The provisions of section 1128A (other than subsections (a), (b), (f), (h), and (i)) shall apply to civil money penalties under subsection (b) in the same manner as such provisions apply to a penalty or proceeding under section 1128A(a).".

(B) Section 428(b) of MCCA is amended by striking "MEDICAL" and inserting "MEDICARE".

(e) EXTENSION OF PILOT PROGRAM.—The Secretary of Health and Human Services shall extend through December 31, 1989, the pilot test program, being conducted by States under the Annual Grant Award Study established by the Joint State/Federal Cash Management Reform Task Force, on the same terms and conditions that existed as of September 30, 1988.

(f) MISCELLANEOUS CORRECTIONS.—

(1) Section 1866 of the Social Security Act (42 U.S.C. 1395cc) is amended by striking subsection (f).

(2) Section 1915(a)(2) of the Social Security Act, as amended by section 8(h)(2) of Public Law 100-93, is amended by striking "Restricts" and inserting "restricts".

(3) Section 1905(o) of the Social Security Act is amended by moving the indentation of paragraph (3), as added by section 9435(b)(2) of Public Law 99-509, 2 ems to the left.

(4) Section 1903(m)(2)(B)(i)(II) of the Social Security Act is amended by striking "1902(a)(13)(A)(ii)" and inserting "1902(a)(10)(D)".

(5) Effective as of the date of the enactment of Public Law 95-292, section 226(a) of the Social Security Act (42 U.S.C. 426(a)) is amended by striking "condition specified in paragraph (1)" and inserting "condition specified in paragraph (2)".

(g) EFFECTIVE DATE.—(1) The amendments made by subsections (a), (b), and (d) shall be effective as if included in the enactment of the Medicare Catastrophic Coverage Act of 1988.

(2) The amendments made by subsection (c) and subsection (f) (other than paragraph (5)) shall take effect on the date of the enactment of this Act.

(h) QUALITY CONTROL TRANSITION.—There shall not be taken into account, for purposes of section 1903(u) of the Social Security Act, payments and expenditures for medical assistance which are made on or after January 1, 1989, and before July 1, 1989, and which are attributable to medicare-cost sharing for qualified medicare beneficiaries (as defined in section 1905(p) of such Act).

SEC. 609. EXTENSION OF QUALITY CONTROL PENALTY MORATORIUM.

(a) MORATORIUM EXTENDED.—Section 403 of the Social Security Act (as amended by section 201(c)(2) of this Act) is further amended by adding at the end the following new subsection:

"(l)(1) During the 12-month period beginning on July 1, 1988 (in this subsection referred to as the 'moratorium period'), the Secretary shall not impose any reductions in payments to States pursuant to subsection (i) (or prior regulations), or pursuant to any comparable provision of law relating to the programs under this part in Puerto Rico, Guam, the Virgin Islands, American Samoa, or the Northern Mariana Islands.

"(2) During the moratorium period—

"(A) the Secretary and the States shall continue to operate the quality control systems in effect under this part, and to calculate the error rates under the provisions referred to in paragraph (1), including the process of requesting and reviewing waivers; and

"(B) the Departmental Grant Appeals Board shall, notwithstanding paragraph (1), review disallowances for fiscal year

1981 and thereafter and hear appeals with respect thereto (but collection of disallowances owed as a result of Departmental Grant Appeals Board decisions shall not occur).".

(b) CONFORMING AMENDMENTS.—(1) Subparagraph (A) of section 12302(c)(1) of the Consolidated Omnibus Budget Reconciliation Act of 1985 (Public Law 99-272) is amended by striking "titles IV-A and" and inserting in lieu thereof "title".

(2) Paragraph (1) of section 12302(c) of such Act is repealed.

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall take effect on July 1, 1988.

TITLE VII—FUNDING PROVISIONS

SEC. 701. TEMPORARY EXTENSION OF PROVISIONS RELATING TO COLLECTION OF NONTAX DEBTS OWED TO FEDERAL AGENCIES.

(a) GENERAL RULE.—Subsection (c) of section 2653 of the Deficit Reduction Act of 1984 is amended by striking "before July 1, 1988" and inserting "on or before January 10, 1994".

(b) COORDINATION OF DISCLOSURE PROVISIONS.—

(1) IN GENERAL.—Paragraph (10) of section 6103(l) of the Internal Revenue Code of 1986 (relating to disclosure of certain information to agencies requesting a reduction under section 6402(c) or 6402(d)) is amended to read as follows:

"(10) DISCLOSURE OF CERTAIN INFORMATION TO AGENCIES REQUESTING A REDUCTION UNDER SECTION 6402(c) OR 6402(d).—

"(A) RETURN INFORMATION FROM INTERNAL REVENUE SERVICE.—The Secretary may, upon receiving a written request, disclose to officers and employees of any agency seeking a reduction under subsection (c) or (d) of section 6402—

"(i) taxpayer identity information with respect to the taxpayer against whom such a reduction was made or not made and with respect to any other person filing a joint return with such taxpayer,

"(ii) the fact that a reduction has been made or has not been made under such subsection with respect to such taxpayer,

"(iii) the amount of such reduction,

"(iv) whether such taxpayer filed a joint return, and

"(v) the fact that a payment was made (and the amount of the payment) to the spouse of the taxpayer on the basis of a joint return.

"(B) RESTRICTION ON USE OF DISCLOSED INFORMATION.—Any officers and employees of an agency receiving return information under subparagraph (A) shall use such information only for the purposes of, and to the extent necessary in, establishing appropriate agency records, locating any person with respect to whom a reduction under subsection (c) or (d) of section 6402 is sought for purposes of collecting the debt with respect to which the reduction is sought, or in the defense of any litigation or administrative procedure ensuing from a reduction made under subsection (c) or (d) of section 6402."

(2) CONFORMING AMENDMENTS.—

(A) Subsection (l) of section 6103 of such Code is amended by striking paragraph (11) and by redesignating paragraph (12) as paragraph (11).

(B) Paragraphs (3)(A) and (4) of section 6103(p) of such Code are each amended by striking "(10), (11), or (12)" each place it appears and inserting "(10), or (11)".

(C) Paragraph (2) of section 7213(a) of such Code is amended by striking "(9), (10), or (11)" and inserting "(9), or (10)".

(3) EFFECTIVE DATES.—

(A) IN GENERAL.—The amendments made by this subsection shall take effect on the date of the enactment of this Act.

(B) SPECIAL RULE.—Nothing in section 2653(c) of the Deficit Reduction Act of 1984 shall be construed to limit the application of paragraph (10) of section 6103(l) of the Internal Revenue Code of 1986 (as amended by this subsection).

SEC. 702. LIMITATION ON USE OF REIMBURSEMENT ARRANGEMENTS TO AVOID 2-PERCENT FLOOR.

(a) GENERAL RULE.—Section 62 of the Internal Revenue Code of 1986 (defining adjusted gross income) is amended by adding at the end thereof the following new subsection:

"(c) CERTAIN ARRANGEMENTS NOT TREATED AS REIMBURSEMENT ARRANGEMENTS.—For purposes of subsection (a)(2)(A), an arrangement shall in no event be treated as a reimbursement or other expense allowance arrangement if—

"(1) such arrangement does not require the employee to substantiate the expenses covered by the arrangement to the person providing the reimbursement, or

"(2) such arrangement provides the employee the right to retain any amount in excess of the substantiated expenses covered under the arrangement.

The substantiation requirements of the preceding sentence shall not apply to any expense to the extent that substantiation is not required under section 274(d) for such expense by reason of the regulations prescribed under the 2nd sentence thereof."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1988.

SEC. 703. MODIFICATIONS TO DEPENDENT CARE CREDIT AND EXCLUSION FOR DEPENDENT CARE ASSISTANCE.

(a) REDUCTION IN MAXIMUM AGE OF NONHANDICAPPED QUALIFYING INDIVIDUAL.—Subsections (b)(1)(A) and (e)(5)(B) of section 21 of the Internal Revenue Code of 1986 are each amended by striking "age of 15" and inserting "age of 13".

(b) LIMITATION ON CREDIT REDUCED BY AMOUNT OF EXCLUSION.—Subsection (c) of section 21 of such Code is amended by adding at the end thereof the following new sentence:

"The amount determined under paragraph (1) or (2) (whichever is applicable) shall be reduced by the aggregate amount excludable from gross income under section 129 for the taxable year."

(c) REQUIREMENT OF FURNISHING IDENTIFYING INFORMATION WITH RESPECT TO SERVICE PROVIDER.—

(1) CREDIT.—Subsection (e) of section 21 of such Code is amended by adding at the end thereof the following new paragraph:

"(9) IDENTIFYING INFORMATION REQUIRED WITH RESPECT TO SERVICE PROVIDER.—No credit shall be allowed under subsection (a) for any amount paid to any person unless—

"(A) the name, address, and taxpayer identification number of such person are included on the return claiming the credit, or

"(B) if such person is an organization described in section 501(c)(3) and exempt from tax under section 501(a), the name and address of such person are included on the return claiming the credit.

In the case of a failure to provide the information required under the preceding sentence, the preceding sentence shall not apply if it is shown that the taxpayer exercised due diligence in attempting to provide the information so required."

(2) EXCLUSION.—Subsection (e) of section 129 of such Code is amended by adding at the end thereof the following new paragraph:

"(9) IDENTIFYING INFORMATION REQUIRED WITH RESPECT TO SERVICE PROVIDER.—No amount paid or incurred by an employer for dependent care assistance provided to an employee shall be excluded from the gross income of such employee unless—

"(A) the name, address, and taxpayer identification number of the person performing the services are included on the return to which the exclusion relates, or

"(B) if such person is an organization described in section 501(c)(3) and exempt from tax under section 501(a), the name and address of such person are included on the return to which the exclusion relates.

In the case of a failure to provide the information required under the preceding sentence, the preceding sentence shall not apply if it is shown that the taxpayer exercised due diligence in attempting to provide the information so required."

(3) CONFORMING AMENDMENT.—Paragraph (2) of section 6109(a) of such Code is amended by striking "shall furnish" and inserting "or whose identifying number is required to be shown on a return of another person shall furnish".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1988.

SEC. 704. TAXPAYER IDENTIFICATION NUMBER REQUIRED FOR DEPENDENTS WHO HAVE ATTAINED AGE 2.

(a) GENERAL RULE.—Paragraph (2) of section 6109(e) of the Internal Revenue Code of 1986 (relating to furnishing number for certain dependents) is amended by striking "age of 5" and inserting "age of 2".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to returns the due date for which (determined without regard to extensions) is after December 31, 1989.

And the Senate agree to the same.

Amend the title so as to read:

An Act to revise the AFDC program to emphasize work, child support, and family benefits, to amend title IV of the Social Security Act to encourage and assist needy children and parents under the new program to obtain the education, training, and employment needed to avoid long-term welfare dependence, and to make other necessary improvements to assure that the new program will be more effective in achieving its objectives.

From the Committee on Ways and Means, for consideration of the House bill (except title X), and the Senate amendment (except secs. 203(b)(5), 203(b)(6), 302, 303, 402(d), and 509), and modifications committed to conference:

DAN ROSTENKOWSKI,
TOM DOWNEY,
HAROLD FORD,
DONALD J. PEASE,
BARBARA B. KENNELLY,
GUY VANDER JAGT,
BILL FRENZEL,
HANK BROWN,

From the Committee on Education and Labor, for consideration of title I and secs. 202, 511, and 804 of the House bill, and title II and secs. 502, 503, 506, 507, and 508 of the Senate amendment, and modifications committed to conference:

STEPHEN J. SOLARZ,
JIM JEFFORDS,
STEVE GUNDERSON,
PAUL B. HENRY,

From the Committee on Energy and Commerce, for consideration of title IV of the House bill, and secs. 203(b)(5), 203(b)(6), 302, 303, 402(d), 402(f), 404, 508, 509, 510, and 704 of the Senate amendment, as well as that portion of sec. 201 of the Senate amendment which adds a new sec. 417 (f)(6) to the Social Security Act, and modifications committed to conference:

JOHN D. DINGELL,
HENRY A. WAXMAN,
JAMES H. SCHEUER,
DOUG WALGREN,
RON WYDEN,
WAYNE DOWDY,
ED MADIGAN,
BOB WHITTAKER,
THOMAS J. TAUKE,

From the Committee on Agriculture, for consideration of title X and sec. 801 of the House bill and modifications committed to conference:

E DE LA GARZA,
LEON E. PANETTA,
DAN GLICKMAN,
HARLEY O. STAGGERS, Jr.,

MIKE ESPY,
BILL EMERSON,
TOM LEWIS,
BILL SCHUETTER,
WALLY HERGER,
Managers on the Part of the House.

LLOYD BENTSEN,
DANIEL PATRICK MOYNIHAN,
DAVID PRYOR,
JOHN D. ROCKEFELLER IV,
THOMAS A. DASCHLE,
BOB PACKWOOD,
BOB DOLE,
MALCOLM WALLOP,
WILLIAM L. ARMSTRONG,
Managers on the Part of the Senate.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 1720) to replace the existing AFDC program with a new Family Support Program which emphasizes work, child support, and need-based family support supplements, to amend title IV of the Social Security Act to encourage and assist needy children and parents under the new program to obtain the education, training, and employment needed to avoid long-term welfare dependence, and to make other necessary improvements to assure that the new program will be more effective in achieving its objectives, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

The Senate amendment struck out all of the House bill after the enacting clause and inserted a substitute text.

The House recedes from its disagreement to the amendment of the Senate with an amendment which is a substitute for the House bill and the Senate amendment. The differences between the House bill, the Senate amendment, and the substitute agreed to in conference are noted below, except for clerical corrections, conforming changes made necessary by agreements reached by the conferees, and minor drafting and clarifying changes.

TITLE I.—CHILD SUPPORT AND ESTABLISHMENT OF PATERNITY

A. GUIDELINES FOR CHILD SUPPORT AWARD AMOUNTS

(Section 501 of the House bill and section 103 of the Senate amendment.)

1. Voluntary/mandatory use

Present Law

A provision in the 1984 child support amendments requires each State to establish guidelines for child support awards within the State. Guidelines may be established by law or by judicial or administrative action. They must be made available to all judges and other officials who have the power to determine awards, but need not be binding on them.

House Bill

The House bill requires judges and other officials to use the State's guidelines, uniformly applied, as a rebuttable presumption. The presumption may be rebutted by a written finding that the ap-

plication of the guidelines would be unjust or inappropriate in a particular case.

Effective date: First calendar quarter beginning one year or more after enactment.

Senate Amendment

The Senate amendment requires judges and other officials to apply the State's guidelines unless there is a finding, pursuant to criteria established by the State, that there is good cause for not doing so.

Effective date: One year after enactment.

Conference Agreement

The conference agreement follows the House bill with modification. United States judges and other officials must use the States' guidelines, uniformly applied, as a rebuttable presumption. The presumption may be rebutted by a written finding that the application of the guidelines would be unjust or inappropriate in a particular case, as determined under criteria established by the State.

2. Review of State's guidelines

Present Law

No provision.

House Bill

The House bill requires the State to review (and update if necessary) the guidelines at least once every three years.

Effective date: First calendar quarter beginning one year or more after enactment.

Senate Amendment

The Senate amendment requires the State to review the guidelines at least once every five years to ensure that their application results in the determination of appropriate child support award amounts.

Effective date: One year after enactment.

Conference Agreement

The conference agreement requires the State to review guidelines for child support award amounts at least once every four years to insure that their application results in the determination of appropriate child support award amounts.

3. Review of individual awards

Present Law

No provision.

House Bill

The House bill requires the State to review and update all child support orders at least once every two years. Reviews must be in accordance with State due process requirements, including at a minimum the provision to both parties of all information necessary to determine a new award level under the guidelines, and notice and opportunity for a hearing if desired by either party (but nothing in this provision may be construed to require the lowering of any support order fixed by contract between the parties.)

Effective date: First calendar quarter beginning one year or more after enactment.

Senate Amendment

For AFDC cases, the Senate amendment requires the State to submit, no later than one year after enactment, a plan indicating how and when periodic review and adjustment will be performed. No later than 5 years after enactment, the State must review and adjust (as appropriate) awards every 2 years unless it is determined that it would not be in the best interests of the child. In any case, reviews must be made every 2 years if either parent requests review.

For non-AFDC IV-D cases, the Senate amendment requires, beginning one year after enactment, that if the State determines based on State criteria that the award should be reviewed and adjusted, the State must initiate proceedings at least once every 24 months to review and adjust the child support award at the request of either parent. Beginning five years after enactment, the State must provide review every 2 years if either parent requests it, and must notify parents of their right to review.

Effective date: One year after enactment.

Conference Agreement

The conference agreement modifies the House bill and the Senate amendment. Beginning 2 years after enactment, if the State determines (pursuant to a plan indicating how and when periodic review and adjustment of benefits will be performed) that the child support award being enforced under the IV-D program should be reviewed, the State must initiate review and adjust the award at the request of either parent. Review of an AFDC case may also be initiated at the request of the State agency.

Beginning 5 years after enactment, the State must implement a periodic review and adjustment process under which:

—with respect to AFDC cases, the review and adjustment (as appropriate), must occur at least once every 3 years unless it is determined that it would not be in the best interests of the child. In any case, reviews must be made every 3 years if either parent requests review.

—with respect to other IV-D cases, the review and adjustment (as appropriate) must occur at least every three years at the request of either parent.

—the State must notify parents of their right to review.

The Secretary of HHS is required to conduct a study of the impact on child support awards and the courts of requiring periodic review for all other cases. The report would be due within 2 years after enactment.

4. Demonstrations for evaluating model procedures for reviewing awards

(Sec. 103(d) of the Senate amendment.)

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment requires that no later than April 1, 1989, the Secretary must enter into an agreement with four States to conduct demonstration projects to test and evaluate model procedures for reviewing child support award amounts. The Senate amendment provides 90% Federal matching for the costs of the demonstrations. Demonstration shall last two years, and shall begin by September 30, 1989.

Effective date: Upon enactment.

Conference Agreement

The conference agreement follows the Senate amendment.

B. ESTABLISHMENT OF PATERNITY

(Section 502 of the House bill and sections 111 and 112 of the Senate amendment.)

1. Paternity establishment performance standards

Present Law

Present law requires the Secretary to establish such standards for State programs for locating absent parents, establishing paternity, and obtaining child support as he determines to be necessary to assure that such programs will be effective. States that do not meet Federal performance standards are subject to penalty (as described in item H).

House Bill

The House bill requires that each State have procedures under which the State is required:

(1) to establish paternity for every child in a family receiving AFDC as soon as possible after the child's birth, but in any event before the child's 18th birthday;

(2) to require the child and all other parties in a contested paternity case to submit to genetic tests upon the request of any party; and

(3) to use a 95 percent probability index from blood tests as a rebuttable presumption of paternity.

The above procedures are not required if the mother has been found to have good cause for refusing to cooperate in establishing or collecting support on behalf of an AFDC child. A State shall be deemed to have met the requirement in (1) above in FY 89 if the number of cases in which paternity is established in the State in that year is at least 50 percent higher than the number of cases in 1986, and to have satisfied the requirement in any of the next 4 years if the number of cases in which paternity is established is at least 15 percent higher than the number of cases in the preceding fiscal year.

The House bill encourages each State, in the administration of its IV–D program, to implement a simple civil process for voluntarily acknowledging paternity, and civil procedure for establiishing paternity in contested cases.

Effective date: First calendar quarter beginning 1 year or more after enactment.

Senate Amendment

The Senate amendment requires the Secretary to set standards for measuring State performance with respect to the establishment of paternity for children who are receiving AFDC or IV–D child support services. To meet Federal requirements, a State's paternity establishment percentage must be at least 50 percent or it must equal or exceed the average for all States, or have increased by 3 percentage points from FY 1988 to 1991 and by 3 percentage points each year thereafter.

A State's paternity establishment percentage is: the number of children in the State who are born out of wedlock, are receiving cash benefits or IV–D child support services, and for whom paternity has been established, divided by the number of children who are born out of wedlock and are receiving cash benefits or IV–D child support services. A child who is receiving benefits by reason of the death of a parent, or a child with respect to whom a mother is found to have good cause for refusing to cooperate in establishing or collecting support, is excluded from this equation. The Secretary may modify the above requirement so as to take into account additional variables (including the percentage of out-of-wedlock births in a State).

The Senate amendment specifies that the requirements of this provision do not supplant any other requirements established by regulation that are consistent with these requirements.

Effective date: Upon enactment.

Conference Agreement

With respect to performance standards for the establishment of paternity, the conference agreement follows the Senate amendment. The conference agreement adopts the House provision providing that each State require the child and all other parties in a contested paternity case to submit to genetic tests upon the request of any party, with a modification permitting States to charge fees

(established under regulations of the Secretary) to individuals who are not receiving AFDC.

The conference agreement adopts the House provision encouraging civil processes and procedures in paternity cases.

2. Treatment of paternity establishment in determining incentive payments

Present Law

Under present law, each State is eligible to receive a basic incentive payment equal to a minimum of 6% of collections made on behalf of AFDC families, and 6% of collections made on behalf of non-AFDC families. The amount of each State's incentive payment may reach a high of 10% of AFDC collections, plus 10% of non-AFDC collections, depending on the State's ratio of collections to administrative costs. The laboratory costs of blood tests that are used to establish paternity are excluded from the State's administrative costs in determining the State's cost/collection ratios for purposes of determining the amount of incentive payments.

House Bill

The House bill provides that, for purposes of determining a State's incentive payments, child support collections are deemed to be $100 a month for up to 12 months in every case in which paternity has been established, but collections have not begun or are less than $100 a month.

Effective date: First calendar quarter beginning one year or more after enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment (i.e., no provision).

3. Enhanced matching for costs of paternity establishment activities

Present Law

The Federal matching rate for child support administrative costs, including paternity establishment, is 68% in 1988 and 1989, and 66% in 1990 and years thereafter.

House Bill

No provision.

Senate Amendment

The Senate amendment authorizes 90% Federal matching for the costs of laboratory testing to establish paternity.

Effective date: With respect to laboratory costs incurred on or after October 1, 1988.

Conference Agreement

The conference agreement follows the Senate amendment.

4. Requirement to permit paternity establishment for child under 18

Present Law

A provision in the Child Support Enforcement Amendments of 1984 requires each State to have procedures which permit the establishment of paternity of any child at any time prior to the child's 18th birthday. All States have implemented this requirement.

House Bill

The House bill provides that effective August 16, 1984, the provision relating to the establishment of paternity is made applicable to any child for whom paternity has not yet been established and any child for whom a paternity action was brought but dismissed because a statute of limitations of less than 18 years was in effect in the State.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

C. VISITATION/CUSTODY DEMONSTRATION PROJECTS

(Section 503 of the House bill and section 505 of the Senate amendment.)

Present Law

No provision.

House Bill

The House bill allows the Secretary to make grants to any State, in amounts up to $5 million a year, to assist in financing state demonstration projects to identify problems in connection with visitation by absent parents and to address problems involving child custody, to determine the magnitude of the problems, and to test possible solutions. Projects may not include the non-payment of child support payments pending visitation, and may last no more than three years.

Effective date: First calendar quarter beginning one year or more after enactment.

Senate Amendment

The Senate amendment authorizes $5 million for each of fiscal years 1988 and 1989 for grants to assist in financing demonstration projects established by States (in accordance with requirements by the Secretary) to develop, improve, or expand activities designed to

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increase compliance with child access provisions of court orders. The Senate amendment requires the Secretary to submit a report to the Congress by July 1991 on the effectiveness of the projects in: (1) decreasing the time required for the resolution of disputes related to child access; (2) reducing litigation relating to access disputes; and (3) improving compliance with court-ordered child support payments.

Effective date: Upon enactment.

Conference Agreement

The conference agreement follows the Senate amendment authorizing demonstrations, with a modification to add the House language prohibiting projects which allow non-payment of child support pending visitation. The conference agreement authorizes $4 million for each of fiscal years 1990 and 1991.

D. DISREGARD OF CHILD SUPPORT

(Section 504 of the House bill and section 102 of the Senate amendment.)

Present Law

A provision in the 1984 Deficit Reduction Act requires the disregard of the first $50 of child support payments received in a month in determining the eligibility and benefit amount for an AFDC family.

House Bill

The House bill clarifies that the $50 disregard applies to a payment received in one month which was due for a prior month, if it was timely made when due by an absent parent.

Effective date: First calendar quarter beginning one year or more after enactment.

Senate Amendment

The Senate amendment clarifies that the $50 disregard applies to a payment received in a month which was due for a prior month if it was made by the absent parent in the month when due.

Effective date: First calendar quarter after enactment.

Conference Agreement

The conference agreement follows the Senate amendment.

E. REQUIREMENT OF PROMPT STATE RESPONSE

(Section 505 of the House bill and section 121 of the Senate amendment.)

Present Law

Present law requires the Secretary to establish such standards for State programs for locating absent parents, establishing paternity, and obtaining child support as he determines to be necessary to assure that such programs will be effective.

House Bill

The House bill requires the Secretary to set standards establishing limitations on the period of time within which a State must (1) respond to requests for assistance in locating absent parents or establishing paternity, and (2) begin proceedings to establish or enforce child support awards.

Effective date: First calendar quarter beginning one year or more after the date of enactment.

Senate Amendment

The Senate amendment requires the Secretary to set standards establishing time limits governing periods in which a State must accept and respond to requests (from individuals, States, or jurisdictions) for assistance in establishing and enforcing support orders, including requests to locate absent parents, establish paternity, or initiate proceedings to establish and collect awards. The Senate amendment requires the Secretary of HHS to establish an advisory committee and to consult with the committee before issuing regulations. A notice of proposed rulemaking must be published within 180 days after enactment. Final regulations must be issued by the 10th month after enactment.

The Senate amendment requires the Secretary to establish time limits within which child support payments collected by the State IV-D agency must be distributed to the families to whom they are owed. Regulations must be issued within 10 months after enactment.

Conference Agreement

The conference agreement follows the Senate amendment.

F. REQUIREMENT FOR AUTOMATED TRACKING AND MONITORING SYSTEM

(Section 506 of the House bill and section 122 of the Senate amendment.)

Present Law

Present law authorizes 90% Federal matching, on an open-ended entitlement basis, to States that elect to establish a statewide automated data processing and information retrieval system to carry out the State's child support enforcement plan. Funds may be used to plan, design, develop and install or enhance the system, and may be used to pay for the acquisition of computer hardware. The Secretary must find that the system meets specified conditions. States also may receive the regular matching rate (68% in FY 88) for automated systems that are not statewide or do not otherwise meet the Federal requirements to qualify for 90% matching.

House Bill

The House bill requires every State that does not have in effect a statewide automated data processing and information retrieval system that meets Federal requirements to submit to the Secretary by October 1, 1989 an advance planning document that meets Fed-

eral requirements. The House bill requires that by October 1, 1990, the Secretary shall have approved each State document that has been submitted, and by October 1992, every State shall have an approved system in effect. The House bill repeals 90% Federal matching for automated data systems, effective October 1, 1992.

Senate Amendment

The Senate amendment requires each State to have an approved statewide system that meets Federal requirements for 90% matching by not later than date specified in the State's advance planning document (which must be within 10 years after the date the document is submitted to the Secretary). The advance planning document must be submitted by October 1, 1990 in order to qualify for 90% matching. The Senate amendment allows the Secretary to waive the requirement if a State demonstrates that it has an alternative system that enables the State to be in substantial compliance with Federal child support requirements.

Conference Agreement

The conference agreement requires every State that does not have in effect a statewide automated tracking and monitoring system document that meets Federal requirements to submit to the Secretary by October 1, 1991 an advance planning document that meets Federal requirements. The Secretary must approve each State document within 9 months after submittal. By October 1, 1995, every State must have an approved system in effect. The conference agreement repeals the 90% Federal matching for automated data systems effective September 30, 1995.

The conferees are aware that concerns have been raised about the present rules and process for approving advance planning documents submitted by the States. The conferees direct the Secretary to review the situation to determine whether any changes in rules or procedure are warranted. If the Secretary determines that any changes in regulations are necessary, such changes must be promulgated in final form no later than October 1, 1990.

The conference agreement follows the Senate amendment allowing the Secretary to waive the requirement for an approved statewide system, but adds that the waiver must meet Sec. 1115 child support requirements or the State must provide assurances to the Secretary that steps will be taken to otherwise improve the State's child support enforcement program.

G. INTERSTATE ENFORCEMENT

(Sections 507, 509, and 513 of the House bill and sections 123 and 125 of the Senate amendment.)

1. Commission on interstate enforcement

Present Law

No provision.

House Bill

The House bill establishes a Commission to study the problems of interstate enforcement and to develop a new model interstate law. Within 1 year after the date of enactment the Commission shall submit to the President and the Congress a report on the results of its study, including a draft of a model state law for interstate enforcement, along with recommendations for further legislative, administrative, and other actions at every level. The House bill requires that the Commission be composed of 15 members: (1) 2 members of the Senate, 1 selected by the Majority Leader and one by the Minority Leader; (2) 2 members of the House, 1 selected by the Speaker and 1 by the Minority Leader; (3) the Secretary of HHS; (4) a representative of the Commissioners on Uniform State laws; (5) a State IV–D agency director; (6) a State or local prosecutor; and (7) 7 advocates for or representatives of custodial and non-custodial parents. The House bill requires that members specified in items 4–7 be selected jointly by the Speaker of the House and the Majority Leader of the Senate in consultation with the Minority Leaders of the House and Senate. The bill authorizes such sums as may be necessary.

Senate Amendment

The Senate amendment establishes a Commission on Interstate Child Support which is required to hold one or more national conferences on interstate child support reform and, not later than October 1, 1990, to submit a report to the Congress with recommendations for improving the interstate child support system, and revising the Uniform Reciprocal Enforcement of Support Act. The Senate amendment requires that the Commission be composed of 15 members: (1) 4 appointed jointly by the Majority and Minority Leaders of the Senate in consultation with the chairman and ranking minority member of the Committee on Finance; (2) 4 appointed jointly by Speaker of the House and Minority Leader of the House, in consultation with the chairman and ranking minority member of the Committee on Ways and Means; and (3) 7 appointed by the Secretary of Health and Human Services. The Senate amendment authorizes $2 million.

Conference Agreement

The conference agreement follows the Senate amendment modified to require a report not later than October 1, 1991. The conferees expect the membership of the Commission to include a representative of the categories specified in the House bill: HHS, Commissioners on Uniform State Laws, State child support enforcement agencies, State prosecutors or judiciary, and advocates for custodial and non-custodial parents.

2. Exclude interstate demonstration grants in computing incentive payments

Present Law

Present law authorizes $15 million each year to fund special projects developed by States for demonstrating innovative techniques for improving child support collections in interstate cases.

House Bill

The House bill excludes amounts spent by a State for an interstate demonstration project in calculating the amount of the State's incentive payments.

Effective date: First calendar quarter beginning 1 year or more after enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

3. Use of INTERNET system

Present Law

No provision.

House Bill

The House bill requires the Secretary of Labor to make available to the Federal Parent Locator Service (FPLS) and to any State child support agency, from the cross-match system used by the Secretary in determining eligibility for unemployment insurance and accessed by INTERNET, all available information on the name, social security number, current address and place of employment of any specified individual.

Effective date: First calendar quarter beginning one year or more after enactment.

Senate Amendment

The Senate amendment requires the Secretaries of Labor and HHS to enter into an agreement to give the FPLS prompt access to wage and unemployment compensation claims information useful in locating an absent parent or his employer. States must cooperate in making this information available as a condition of receiving grants for the administration of unemployment compensation.

Effective date: The Secretaries must enter into an agreement no later than 90 days after enactment.

Conference Agreement

The conference agreement follows the Senate amendment, with a modification to follow the effective date in the House bill.

The conferees expect this information will be provided through procedures agreed upon by the Secretary of Labor and the Secretary of HHS. The conferees understand that the Department of Labor is in the process of revising regulations for the State Eligibility and Income Verification System (SIEVS) (20 CFR 603) to provide access by the FPLS to state unemployment wage and claim files. Providing access to these data for FPLS through this regulatory change may be useful in locating noncustodial parents with child support obligations and could be incorporated in the Labor-HHS agreement provided for in this bill. Current law provides for the Department of HHS to reimburse the costs incurred by States and Federal agencies in providing information to the Federal Parent Locator Service. The Conferees anticipate that the Department of HHS would be billed by the Department of Labor for its costs and the costs of States and that the Department of Labor would, in turn, appropriately reimburse State unemployment agencies.

H. PENALTIES FOR NONCOMPLIANCE WITH 1984 REQUIREMENTS

(Section 508 of the House bill)

Present Law

A provision in the 1984 CSE amendments requires the Secretary to conduct a review of each State's program at least every 3 years to determine whether it substantially complies with the law, and to evaluate its effectiveness. If the Secretary finds that a State has not met the requirements, and there has not been corrective action, the amount of the State's AFDC matching must be reduced by not more than 2 percent for the first failure to substantially comply, not more than 3 percent for the second failure, and not more than 5 percent for the third and subsequent failures.

House Bill

The House bill reduces the Federal matching rate to 66 percent for any State not in full compliance with the 1984 amendments, as determined by the Secretary, at any time after the expiration of 6 months after the date of enactment. This penalty is in addition to penalties under current law.

Effective date: October 1, 1988.

Senate Amendment

No provision.

Conference Amendment

The conference agreement follows the Senate amendment (i.e., no provision).

I. WAGE WITHHOLDING

(Section 508(b) of the House bill and section 101 of the Senate amendment.)

Present Law

A provision in the 1984 Child Support Enforcement Amendments requires the States to have procedures, with respect to families receiving IV-D services, under which the wages of an absent parent must be withheld if the parent is in arrears in making child support payments in an amount equal to one month's support. The State may elect to begin withholding at an earlier date. In addition, the State must have in effect procedures under which all orders issued or modified in the State (regardless of whether they are being enforced by the IV-D agency) include a provision for wage withholding. With respect to these non-Federally matched cases, the statute leaves to State discretion the determination of when withholding should begin, or the amount of an arrearage. The State may allow parents who are not receiving IV-D services to opt into the wage withholding system if they pay a $25 annual fee.

House Bill

The House bill requires that, with respect to IV-D cases, each State must provide for immediate wage withholding (without determining whether there is an arrearage) in every case where an individual residing in the State owes child support under a court order issued or modified in the State (or under administrative process). The State may exclude cases from immediate wage withholding if (1) one of the parties demonstrates, and the court finds, that there is good cause not to require such withholding, or (2) there is a written agreement between both parties providing for an alternative arrangement. The House bill retains present law that provides that States may allow parents who are not receiving IV-D services to opt into the wage withholding system if they pay a $25 annual fee.

Effective date: October 1, 1988.

Senate Amendment

The Senate amendment requires that, with respect to IV-D cases, each State must provide for immediate wage withholding (without determining whether there is an arrearage) in the case of orders that are issued or modified on or after the first day of the 25th month beginning after the date of enactment unless: (1) the State finds good cause; or (2) both parents agree to an alternative arrangement. In the case of orders that are being enforced by the IV-D agency that are not subject to withholding under the above requirement, the Senate amendment requires that, beginning two years after enactment, wages of an absent parent must be subject to withholding, regardless of whether there is an arrearage, upon request of the custodial parent if the State determines (under its own procedures and standards) that it is appropriate to grant the request.

The Senate amendment specifies that, also beginning two years after enactment, State procedures must allow State child support agencies to request immediate withholding for orders that they are enforcing on behalf of families receiving welfare, regardless of whether the parents have agreed to an alternative arrangement.

Present law requirements for mandatory wage withholding in the case of payments that are delinquent in an amount equal to one month's support will apply to orders that are not subject to immediate wage withholding.

The Senate amendment requires that States provide for immediate wage withholding with respect to all support orders initially issued on or after January 1, 1994, regardless of whether a parent has applied for IV-D services.

The Senate amendment provides for a study of the administrative feasibility, cost implications, and other effects of requiring States to adopt immediate wage withholding for all child support orders in a State, not just those that are being enforced by the State's child support enforcement agency. The Secretary of Health and Human Services must conduct the study and report his findings to the Congress no later than three years after the date of enactment.

The Senate amendment repeals present law which provides that the State may allow parents who are not receiving IV-D services to opt into the wage withholding system if they pay a $25 annual fee.

Effective date: Two years after enactment.

Conference Agreement

The conference agreement follows the Senate amendment except as follows: (1) follow the House bill with respect to the circumstance under which cases may be excluded from wage withholding; (2) clarify that the Consumer Credit Protection Act limits, applicable to the amount of an absent parent's income which can be subject to withholding under current law, apply to all income withholding; and (3) clarify that the notice provisions to employers and the requirements that employers must be held liable for failure to withhold applies to all cases subject to income withholding.

J. STUDY OF CHILD REARING COSTS

(Section 510 of the House bill.)

Present Law

No provision.

House Bill

The House bill requires the Secretary of HHS to conduct a study of the pattern of expenditures on children, by 2-parent and 1-parent families, with particular attention to relative standards of living of the different families, and to submit a report to the Congress within 2 years after the date of enactment, including recommendations for legislative, administrative and other actions. The House bill authorizes such sums as may be necessary.

Effective date: First calendar quarter beginning one year or more after enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

K. WORK AND TRAINING DEMONSTRATION PROGRAMS FOR NON-CUSTODIAL PARENTS

(Section 511 of the House bill and section 201 of the Senate amendment.)

Present Law

No provision.

House Bill

The House bill allows Sec. 1115 demonstration funds to be used to make grants to States to test methods of improving child support enforcement by encouraging noncustodial parents who are financially unable to meet their support obligations to participate in the State welfare agency's Network program, JTPA, or other similar program.

Effective date: First calendar quarter beginning one year or more after enactment.

Senate Amendment

The Senate amendment provides no new demonstration authority. However, States may allow or require noncustodial parents who are unemployed and unable to meet their child support obligations to participate in the new JOBS program.

Effective date: Same as JOBS program.

Conference Agreement

The conference agreement provides that the Secretary must grant waivers to up to 5 States allowing them to provide services on a voluntary or a mandatory basis (such as by court order) to non-custodial parents as an activity under the JOBS program. Activities conducted under any of these waivers must be evaluated. The conferees note that the bill does not grant any new power to States to require participation by non-custodial parents.

L. DATA COLLECTION AND REPORTING

(Section 512 of the House bill.)

Present Law

Present law requires the State to have an adequate reporting system and requires the Secretary to report annually to the Congress on State data relating to costs, collections, support obligations established, interstate cases, and other related data.

House Bill

The House bill requires the Secretary of HHS to collect and maintain State-by-State statistics with respect to the following services: paternity determination, location of absent parent for the

purpose of establishing a support obligation, establishment of a child support obligation, and location of absent parent for the purpose of enforcing or modifying an established obligation. Data must be separately stated for AFDC and non-AFDC cases, and must include: (1) the number of cases in the caseload that need the service; (2) the number of cases in which the service has actually been provided; and (3) the percent of cases in which the service has actually been provided.

Effective date: First calendar quarter beginning one year or more after enactment.

Senate Amendment

The Senate amendment retains present law.

Conference Agreement

The conference agreement follows the House bill with modifications. Data collected by the Secretary of HHS must be separately stated for AFDC and non-AFDC cases, and must include (1) the number of cases in the caseload requesting the service, and (2) the number of cases in which the service has actually been provided. The conferees clarify that "service has actually been provided" means the actual determination of paternity, location of the parent, and establishment of an order, not the provision of a service aimed at these objectives.

M. USE OF SOCIAL SECURITY NUMBER

(Section 24 of Senate amendment.)

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment requires each State, in the administration of any law involving the issuance of a birth certificate, to require each parent to furnish his or her social security number, unless the State (in accordance with regulations by the Secretary of HHS) finds good cause for not requiring the furnishing of the number. The State must make the numbers available to child support enforcement agencies in accordance with Federal or State law. Numbers need not be recorded on the birth certificate. Existing State and Federal laws relating to the protection of privacy will not be superceded except to the extent that they are directly inconsistent with this provision.

Effective date: 25th month after enactment.

Conference Agreement

The conference agreement follows the Senate amendment modified to provide that the parents' SSN shall not appear on the birth

certificate, and that the use of the SSN obtained through the birth record would be limited to Child Support Enforcement (CSE) program purposes, except that, where a State is currently permitted under the Privacy Act to obtain and use an SSN for purposes other than the CSE program because it did so prior to 1975, the State would be permitted to continue to do so.

N. NOTIFICATION OF SUPPORT COLLECTED

(Section 104 of the Senate amendment.)

Present Law

The Child Support Enforcement Amendments of 1984 included a provision requiring States to inform AFDC families once each year of the amount of support collected on their behalf by the child support enforcement agency.

House Bill

No provision.

Senate Amendment

The Senate amendment requires that States inform families receiving welfare of the amount of support collected on their behalf on a monthly basis, rather than annually. States may provide quarterly (rather than monthly) notice if the Secretary determines that compliance with the monthly notification requirement would impose an unreasonable administrative burden on the State.

Effective date: First calendar quarter beginning 4 years after enactment.

Conference Agreement.

The conference agreement follows the Senate amendment.

TITLE II.—JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAM

This Act will establish a new employment, education and training program for recipients of Aid to Families with Dependent Children (AFDC). It replaces and expands authority currently contained in Title IV–A and Title IV–C of the Social Security Act. Upon enactment, this new program will become Title IV–F of the Social Security Act; the related sections in Title IV–A and all of Title IV–C will be repealed. Because the new JOBS program authorized by Title IV–F includes provisions currently within the jurisdiction of the Committee on Ways and Means and the Committee on Education and Labor of the House of Representatives, the two committees will have joint jurisdiction over the new Title IV–F of the Social Security Act.

A. NAME OF PROGRAM(S)

(Section 102 of the House bill and section 201 of the Senate amendment.)

Present Law

Under present law, authority for work and training programs is divided among five separate programs: the programs are: The Work Incentive (WIN), WIN demonstration, community work experience (CWEP), work supplementation and job search programs.

House Bill

The House bill consolidates these programs and names the new program the National Education, Training, and Work (Network) program.

Senate Amendment

The Senate amendment consolidates these programs and names the new program the Job Opportunities and Basic Skills Training (JOBS) program.

Conference Agreement

The conference agreement follows the Senate amendment.

B. PURPOSE

(Section 102 of the House bill and section 2 of the Senate amendment.)

Present Law

Under present law, the purpose of the WIN program is to provide "incentives, opportunities, and necessary services in order for (1) the employment of such individuals in the regular economy, (2) the training of such individuals for work in the regular economy, and (3) the participation of such individuals in public service employment, thus restoring the families of such individuals to independence and useful roles in their communities."

The purpose of the WIN demonstration program is to demonstrate "single agency administration of the work-related objectives" of the Social Security Act. (Temporary authority; expires September 30, 1990.)

The purpose of the CWEP program is "to provide experience and training for individuals not otherwise able to obtain employment, in order to assist them to move into regular employment. Community work experience programs shall be designed to improve the employability of participants through actual work experience and training and to enable individuals employed under community work experience programs to move promptly into regular public or private employment."

The purpose of the work supplementation program is to allow a State to institute a work supplementation program under which such State, to the extent it determines appropriate, may make jobs available, on a voluntary basis, as an alternative to cash assistance.

House Bill

Under the House bill, the purpose of the NETWork program is "to assure that needy children and parents obtain the education,

training, and employment that will help them avoid long-term welfare dependence."

The purpose of the CWEP program is "to provide marketable work experience and training for individuals who are not otherwise able to obtain employment through a combination of work experience and training or educational activities as part of a planned sequence set forth in the participant's family support plan." Programs must be designed to move participants into regular public or private employment.

The purpose of the work supplementation program is to allow AFDC funds otherwise payable to recipients to be used for the purpose of providing and subsidizing jobs as an alternative to cash assistance.

Senate Amendment

Under the Senate amendment the purpose of the JOBS program is "to assure that needy families with children obtain the education, training, and employment that will help them avoid long-term welfare dependence."

The Senate amendment retains current law with respect to the purpose of the CWEP program.

Under the Senate amendment, the purpose of the work supplementation program is as stated in the House bill.

Conference Agreement

The conference agreement follows the Senate amendment with respect to the purpose of the basic JOBS program and the purpose of the CWEP program. The conference agreement follows the House bill and the Senate amendment with respect to the purpose of the work supplementation program.

C. PROGRAM STRUCTURE/ADMINISTRATION

(Section 101 of the House bill and section 201 of the Senate amendment.)

1. Requirement for State participation

Present Law

Under present law, each State must have a WIN program. A State may operate a WIN demonstration program as an alternative to WIN. The CWEP, work supplementation, and job search programs are optional programs for the State.

House Bill

The House bill requires that each State have a NETWork program approved by the Secretary of HHS in consultation with the Secretary of Labor.

Senate Amendment

The Senate amendment requires that each State have a JOBS program approved by the Secretary of HHS in consultation with the Secretary of Labor.

Conference Agreement

The conference agreement requires each State to have a JOBS program under a plan approved by the Secretary of HHS. The Secretary of HHS must consult with the Secretary of Labor on general plan requirements and criteria for approving plans. The Secretary of HHS shall have sole authority for approving or disapproving plans.

2. Requirement for a statewide program

Present Law

Present law requires the Secretary of Labor to establish WIN programs in each State and in each political subdivision of a State in which he determines there is a significant number of AFDC recipients age 16 or above. In other political subdivisions, he must use his best efforts to provide programs either within the subdivisions or to provide transportation to subdivisions in which programs are established.

Requirements for the WIN demonstration, CWEP and work supplementation programs are at State discretion. Regulations require that States that operate a job search program must do so on a statewide basis.

House Bill

The House bill requires that the program be available in each subdivision of the State where it is feasible to do so, taking into account the number of prospective participants, the local economy, and other relevant factors. If the State determines that the program is not to be available in all political subdivisions the State plan must include appropriate justification. The NETWork program replaces the WIN demonstration program. Requirements for the CWEP, work supplementation, and job search programs are at State discretion.

Senate Amendment

The Senate amendment requires that not later than three years after enactment, the program must be available in each subdivision of the State unless the State demonstrates to the satisfaction of the Secretary that it is not feasible to do so because of the needs and circumstances of local economies, the number of prospective participants, and other relevant variables. The JOBS program replaces the WIN demonstration program. Requirements for the CWEP, work supplementation and job search programs are at State discretion.

Conference Agreement

The conference agreement follows the House bill and Senate amendment as follows: Not later than 2 years after the mandatory effective date, the State must make the program available in each subdivision of the State where it is feasible to do so, taking into account the number of prospective participants, the local economy, and other relevant factors. If the State determines that the pro-

gram is not to be available in all political subdivisions, it must provide appropriate justification to the Secretary. The conferees note that the Secretary may approve or disapprove the State program on the basis of whether it meets the requirement for Statewideness, using the plan approval authority that is generally available to him under the statute. The conferees expect the States to make a serious and determined effort to implement their programs throughout all their local jurisdictions to the maximum extent possible, so that all eligible families will have an opportunity to benefit from the new services that are authorized under the legislation.

3. State plan requirements

Present Law

Present law requires a statewide plan for the WIN program that prescribes how the program will be operated at the local level and indicates for each area within the State, the number and type of positions to be provided, the manner in which information provided by the private industry council (PIC) under JTPA will be used, and the agency or administrative unit responsible for each of the program activities. The plan must be approved by the Secretary of Labor, the WIN unit of the welfare agency, and the WIN regional joint committee. (Regulations also require local plans, and require that all plans be approved annually.)

The WIN demonstration program requires that the plan provide that the welfare agency conduct the demonstration; that the participation requirements be the same as for the WIN program, but subject to waiver under sec. 1115; and that the criteria for participation shall be uniform throughout the State. The plan must state the demonstration's objectives, with emphasis on how the State plans to maximize client placement in nonsubsidized private sector employment; describe the techniques to be used to achieve the objectives of the demonstration; and set forth the format and frequency of reporting. States are free to design their own programs, in conformity with their own plans; components of the program other than participation criteria may vary within the State. A State's WIN demonstration application shall be deemed approved unless the HHS Secretary disapproves it in writing within 45 days.

For all other programs, present law has no requirement.

House Bill

The House bill requires a State plan (which must be submitted by the State on or before the effective date of the bill) describing the program in such detail as will enable the Secretary to determine whether all Federal law requirements are met, and estimating the number of persons to be served. The House bill requires that State plans include the following:

(1) provision for private sector and local government involvement, through the entities that administer JTPA, in planning and program design to ensure that participants are trained for jobs that will actually be available in the community;

(2) a description of relevant coordination arrangements with other Federal and State agencies, including the State educational agency;

(3) a description of the services to be provided and the methods and priorities used in allocating services;

(4) assurances that the operation of the program meets the criteria for coordination established in the Governor's coordination and special services plan pursuant to sec. 121(b)(1) of the Job Training Partnership Act;

(5) procedures for selecting service providers that take into account past performance in providing similar services, fiscal accountability, and ability to meet performance standards;

(6) assurances that services provided are in addition to, and do not duplicate, services otherwise available from other Federal and State agencies on a non-reimbursable basis;

(7) assurances that community-based organizations (defined in sec. 4 (5) of JTPA) are involved in planning and program design, and in the delivery of services (meeting the conditions of sec. 107 (a) of JTPA);

(8) a description of the distribution of services within the State, identifying for each area the resources to be made available for training, on-the-job training, and transitional employment opportunities, and explaining the economic and demographic reasons for the distribution;

(9) assurances that necessary supportive services will be available; and

(10) other information and assurances required by the Secretary.

Senate Amendment

The Senate amendment requires a State plan, approved by the Secretary of HHS. It requires the State, in accordance with regulations of the Secretary, to periodically review and update its plan and submit the updated plan for approval by the Secretary.

The Senate amendment includes some items related to the House requirements (1) through (10) above, but does not designate them as State plan requirements.

Conference Agreement

The conference agreement, in place of either the House bill or the Senate amendment, structures the State plan as an operational plan which will describe how the State intends to implement the program during the period covered by the plan. Federal requirements will not be spelled out in the plan except that the plan will indicate by cross reference to appropriate sections of law that the program will be operated in conformity with those sections. The State, in accordance with regulations of the Secretary, must periodically (but no less often than every 2 years) review and update its plan and submit the updated plan for approval by the Secretary.

Each State plan must: (1) provide that the State will operate its JOBS program in conformity with the coordination requirements; the contract authority/private sector involvement requirements; and other requirements of the statute; and (2) describe how the

State anticipates that it will operate the JOBS program during the period covered by the State plan, including a description of how it will implement the requirements with respect to coordination and use of other agencies; an estimate of the number of persons to be served by the program; a description of the services to be provided within the State and within political subdivisions of the State, the needs to be addressed by such services, the extent to which such services are expected to be available from other agencies on a non-reimbursable basis, and the extent to which such services are to be provided by or funded by the JOBS program; and such additional information as the Secretary may require by regulation to show that the State plan will comply with the requirements of the program.

4. Federal administrative responsibility

Present Law

Under present law, the Departments of Labor and HHS share joint responsibility for the WIN program, together establishing the WIN National Coordination Committee with responsibility for national administration. The Department of HHS is responsible for administration of all other programs.

House Bill

The House bill provides that the Department of HHS is responsible for administration at the Federal level. However, the Secretary of Labor is responsible for implementing and carrying out the provisions related to working conditions, displacement, wage rates, workers' compensation, grievance procedures, and the prohibition against use of funds for construction.

Senate Amendment

The Senate amendment requires administration of the JOBS program, the child support enforcement program, and the cash assistance program by an Assistant Secretary for Family Support in HHS. The Assistant Secretary must be appointed by the President and confirmed by the Senate. This provision is effective January 1, 1989.

Conference Agreement

The conference agreement follows the Senate amendment with respect to the administration of the programs by a new Assistant Secretary of HHS, establishing an effective date of February 1, 1989. The conference agreement requires the Secretaries of Labor and HHS to issue joint regulations with respect to provisions relating to working conditions, wage rates, workers' compensation, and displacement. Disputes relating to these matters (other than displacement) will be heard under the State's fair hearing process. Appeals of these State-level hearings may be made to the Secretary of Labor under such conditions as the joint regulations of the Secretaries of Labor and HHS may provide.

5. State and local administration

Present Law

Under present law, the State employment security agency and welfare agency have joint responsibility for administering WIN. WIN agencies may make grants to, or enter into agreements with, public or private organizations (including Indian tribes) to carry out program functions. For all other programs, the welfare agency has responsibility, but the welfare agency may make arrangements with other agencies to operate programs.

House Bill

The House bill requires State welfare agency responsibility for the operation and administration of the Network program.

Senate Amendment

The Senate amendment requires State welfare agency responsibility for the administration or supervision of the administration of the JOBS program. It also requires the welfare agency to be responsible for assuring that cash benefits and child support and JOBS services are furnished in an integrated manner, effective July 1, 1989.

Conference Agreement

The conference agreement follows the Senate amendment.

6. Coordination with other programs

Present Law

Under present law, the Secretary of Labor must, to the greatest extent feasible, use all authority available under all Acts to provide services for WIN participants, and must assure, when appropriate, that WIN registrants are referred for JTPA services. The Job Training Partnership Act requires the Governor to coordinate WIN activities with activities provided under JTPA. Present law contains no specific coordination provisions for the CWEP, work supplementation, and job search programs.

House Bill

The House bill requires program activities to be coordinated with programs operated under JTPA and other relevant employment, training, and education programs. Components of the State plan relating to job training and workplace preparation must be consistent with the coordination criteria specified in the plan required under sec. 121 of JTPA. The plan so developed must be submitted to the State job training coordinating council not less than 90 days before its submission to the Secretary for review and comment. Concurrently, the plan must be published and made reasonably available to the public for review and comment.

Senate Amendment

The Senate amendment requires the Secretary of HHS to consult on a continuing basis with the Secretaries of Education and Labor to assure maximum coordination of services. It requires the Governor to assure that program activities are coordinated with programs under JTPA and with other relevant employment, training, and education programs. No program plan may be submitted to the Secretary until the Governor has determined that the program is consistent with the coordination criteria specified in the plan required under sec. 121 of JTPA.

Conference Agreement

The conference agreement follows the House bill and Senate amendment modified as follows: It requires the Secretary of HHS to consult on a continuing basis with the Secretaries of Education and Labor to assure maximum coordination of services. It requires the Governor to assure that program activities are coordinated with programs operated under JTPA and other relevant employment, training, and education programs. Components of the State plan relating to job training and workplace preparation shall be consistent with the coordination criteria specified in the plan required under sec. 121 of JTPA. The plan so developed shall be submitted to the State job training coordinating council for review and comment not less than 60 days before its submission to the Secretary. Concurrently, the plan shall be published and made reasonably available to the public for review and comment. Comments by the State job training coordinating council shall be transmitted to the Governor. The conferees do not intend that the plan must be approved by the State job training coordinating council, but only that the council must have an opportunity to review and comment on it.

The conference agreement requires the State agency to consult with the State education agency and the agency responsible for administering job training programs in the State, as in the Senate amendment.

The conference agreement requires that program activities be coordinated with existing early childhood programs, as in the House bill.

7. Contract authority/involvement of private sector

Present Law

Under present law, WIN funds may be used to contract for services under other programs. There are no specific provisions under present law with respect to contract authority for other programs, but State WIN demonstration programs frequently contract for services provided by other entities.

House Bill

Under the House bill, the State welfare agency is allowed to administer the program directly or through arrangements or contracts with JTPA administrative entities, State and local educa-

tional agencies, and with other public agencies or private organizations (including community-based organizations as defined in sec. 4 (5) of JTPA). Arrangements and contracts may cover any services or activities, including outreach, to the extent that they are not otherwise available on a reimbursable basis. Arrangements and contracts must be developed in consultation with private industry councils (PICs) for service delivery areas designated under JTPA, must be transmitted to the State job training coordinating council for review and comment and must be subject to the approval of the Governor. In selecting providers, States must take into account past performance, demonstrated effectiveness, fiscal accountability, and ability to meet performance standards.

Under the House bill, the State welfare agency must use the services of each private industry council (PIC) to identify and provide advice on the types of jobs available or likely to become available in each JTPA service delivery area. The State agency may not conduct training for jobs of a type which are not likely to become available.

Senate Amendment

Under the Senate amendment, the State welfare agency is allowed to enter into contracts and other arrangements with public and private agencies and organizations for the provision or conduct of any services or activities. Each State program must include private sector involvement in planning and program design to assure that participants are prepared for jobs that will be available in the community. Report language urges Governors to ensure that the resources and expertise of PICs are used to the maximum extent possible in arranging for the delivery of services.

Conference Agreement

The conference agreement follows the House bill, modified as follows:

The conference agreement allows the State welfare agency to administer the program directly or through arrangements or contracts with JTPA administrative entities, State and local educational agencies, and with other public agencies or private organizations (including community-based organizations as defined in sec. 4(5) of JTPA). Arrangements and contracts may cover services or activities, including outreach, to the extent that they are not otherwise available on a nonreimbursable basis.

The welfare agency and private industry councils (PICs) shall consult on the development of arrangements and contracts under the JOBS and JTPA programs.

In selecting providers, the State shall take into account appropriate factors which may include past performance, demonstrated effectiveness, fiscal accountability, ability to meet performance standards, and such other factors as the State may determine to be appropriate.

The State welfare agency must use the services of each private industry council (PIC) to identify and provide advice on the types of jobs available or likely to become available in each JTPA service

delivery area. The State agency must assure that the program provides training for jobs that are or are likely to become available.

D. REQUIREMENT FOR PARTICIPATION

(Section 101 of the House bill and section 201 of the Senate amendment.)

1. General requirement

Present Law

Under present law, for the WIN and WIN demonstration programs, States must require that non-exempt applicants and recipients of assistance register for services and participate in activities to which they are assigned. States may require non-exempt recipients of assistance to participate in CWEP programs to which they are referred. Participation is voluntary in the work supplementation program.

House Bill

The House bill stipulates that under the NETWork program States must require non-exempt recipients of assistance to participate to the extent that the program is available and State resources permit. A State which chooses to operate a work supplementation program must require participation by an eligible individual. The State determines who is an eligible individual.

Senate Amendment

The Senate amendment stipulates that under the JOBS program States must require non-exempt recipients of assistance to participate to the extent that the program is available and State resources permit. A State which chooses to operate a work supplementation program may require participation by an eligible individual.

Conference Agreement

The conference agreement requires non-exempt recipients to participate in the basic education, employment and training program, as provided in the House bill and Senate amendment. The conference agreement allows States to require participation in the work supplementation component of the JOBS program, as in the Senate amendment.

2. Exemption from participation

Present Law

Under present law, to be exempt from participation in the WIN and WIN demonstration programs an individual must be:

(1) ill, incapacitated, or of advanced age (regulations specify age 65 or older);

(2) needed in the home because of the illness or incapacity of another member of the household;

(3) the parent or other relative of a child under age 6 who is personally providing care for the child with only very brief and infrequent absences;

(4) employed 30 or more hours a week;

(5) a child under age 16 or attending, full-time, an elementary, secondary, or vocational school;

(6) a woman in the last trimester of pregnancy;

(7) residing in an area where the program is not available;

(8) a parent of a child eligible on the basis of death, absence from the home, or incapacity, if another adult relative is registered and has failed or refused to participate or accept employment;

(9) a parent of a child eligible on the basis of the unemployment of the principal earner, if the principal earner is not exempt under one of the preceding clauses.

To be exempt from participation in the CWEP program, the requirements are the same as those for WIN except (1) the State may require the mother of a child age 3 or above (rather than age 6) to participate if child care is available; and (2) a recipient who is employed at least 80 hours a month and is earning at least the applicable minimum wage must be exempted from participation.

To be exempt from participation in the job search program, the requirements are the same as those for WIN, except that an individual cannot be exempted for reason (7) above.

House Bill

The House bill provides that to be exempt from participation an individual must be:

(1) ill, incapacitated, or age 60 or above;

(2) needed in the home because of the illness or incapacity of another family member;

(3) the parent or other caretaker relative of a child under age 3 (or, at the option of the State under a waiver approved by the Secretary, any age that is less than 3 but not less than 1), subject to limitations described under "Limitations on Participation" below;

(4) employed 20 or more hours a week;

(5) a child under age 16 or attending, full-time, an elementary, secondary, or vocational school;

(6) a woman who is pregnant;

(7) residing in an area where the program is not available;

(8) The exemption under (3) may apply only to one parent in a two-parent family. A State may make the exemption inapplicable to both parents and require both to participate, at least one of them on a full-time basis, if appropriate child care is guaranteed.

These exemptions apply to participation in all activities.

Senate Amendment

The Senate amendment provides that to be exempt from participation an individual must be:

(1) ill, incapacitated or of advanced age;

(2) needed in the home because of the illness or incapacity of another member of the household;

(3) the parent or other relative of a child under age 3 (or, at the option of the State, any age that is less than 3 but not less than 1), who is personally providing care for the child with only very brief and infrequent absences, subject to limitations described in item 3 below;

(4) employed 30 or more hours a week;

(5) same as House bill;

(6) a woman in the last trimester of pregnancy; or

(7) same as House bill;

(8) the exemption under (3) may apply only to one parent in a two-parent family. A State may make the exemption inapplicable to both parents and require both to participate if child care is guaranteed.

These exemptions apply to all activities.

Conference Agreement

The conference agreement provides that to be exempt from participation an individual must be:

(1) ill, incapacitated or of advanced age;

(2) needed in the home because of the illness or incapacity of another family member; as under present law, the family member need not be a member of the AFDC unit;

(3) the parent or other relative of a child under age 3 who is personally providing care for the child (or, if so provided in the State plan, any age that is less than 3 but not less than 1);

(4) employed 30 or more hours a week;

(5) a child under age 16 or attending, full time, an elementary, secondary or vocational school;

(6) a woman who is in at least the second trimester of pregnancy;

(7) residing in an area where the program is not available; and

(8) A State may make the exemption inapplicable to both parents and require both to participate if child care is guaranteed.

When a State requires mandatory participation by caretakers of children under 6, the State plan must also include satisfactory assurances that child care will be guaranteed and participation will not be required for more than 20 hours a week.

With respect to item (2),

These exemptions apply to all activities.

3. Limitations on participation

Present Law

Present law contains no specific provision.

House Bill

The House bill stipulates that a State may not require participation by a parent of a child age 3 but under 6 unless day care is guaranteed and participation is part time (20 hours a week or less).

A State must permit and encourage participation by a parent of a child under age 3 if day care is guaranteed, participation is part time, and resources are available.

The Secretary may permit a State to require participation by a parent of a child less than 3 but not less than 1 if the State demonstrates that (1) appropriate infant care can be guaranteed for each child less than 3 for no more than $200/month for children under 2 years old and $175/month for children 2 years old and older, (2) the participation is part-time, and (3) participation will emphasize, as a first priority, education and training including parenting and nutrition education.

Senate Amendment

The Senate amendment limits required participation to no more than 24 hours a week if the individual is (1) the parent of a child under age 6 who is providing care for the child, and (2) not the principal earner in a two-parent family eligible on the basis of unemployment. States may encourage greater participation for more than 24 hours a week.

A State may require an individual to participate full-time (in excess of 24 hours a week) in the following education activities: high school or equivalent education, remedial education to achieve a basic literacy level, and instruction in English as a second language.

Conference Agreement

The conference agreement follows the Senate amendment modified as follows: A State may require an individual to participate full-time (in excess of 20 hours a week) in education activities, as under the Senate amendment. Full-time would be defined by the educational institution. Limits required participation to no more than 20 hours a week if the individual is (1) the parent of a child under age 6 who is personally providing care for the child, and (2) not the principal earner in a two-parent family eligible on the basis of unemployment. States may encourage greater participation for more than 20 hours per week.

4. Participation by young parents

Present Law

Present law contains no specific provision.

House Bill

The House bill provides that a State may require a minor parent, regardless of the age of the child, to (1) attend school on a part-time basis; or (2) participate in training in parenting and family living skills, including nutrition and health education, but only if and to the extent that child care is guaranteed.

Senate Amendment

The Senate amendment stipulates that a State must require a custodial parent under age 22 who has not completed high school

(or equivalent) to participate in high school or equivalent education, or, where appropriate, in remedial education or English as a second language regardless of the age of the child. A State may require the parent to participate in training or work activities (in lieu of education activities) if the parent fails to make good progress in completing education activities or if it is determined pursuant to an educational assessment that participation in education activities is inappropriate. Participation in these latter activities may be for no more than 24 hours a week.

Conference Agreement

The conference agreement follows the Senate amendment except that, (1) in the case of an otherwise exempt parent under age 18, the State may establish criteria pursuant to regulations of the Secretary under which such parents may be exempted from the school attendance requirement; and (2) the provision applies to custodial parents under age 20.

5. Participation by volunteers

Present Law

Under present law, applicants and recipients may volunteer for WIN services. Under present law for the work supplementation program, all participants are volunteers. For the CWEP and job search programs, by regulation, a State may provide services to volunteers.

House Bill

The House bill stipulates that a State must allow recipients to participate on a voluntary basis. In addition, the State must encourage voluntary participation and furnish the Secretary with assurances that it is doing so. Applicants may volunteer for job search only.

Senate Amendment

The Senate amendment requires that a State allow applicants and recipients to participate on a voluntary basis (including individuals who would be recipients if the State did not choose to provide benefits to unemployed-parent families on a time-limited basis.)

Conference Agreement

The conference agreement follows the Senate amendment.

6. Participation by noncustodial parents

Present Law

No provision.

House Bill

No provision. (See demonstration projects.)

Senate Amendment

The Senate amendment stipulates that a State may require or allow unemployed noncustodial parents who are unable to meet their child support obligations to participate.

Conference Agreement

The conference agreement follows the House bill.

7. Individual participating in an education or training program

Present Law

Under present law, by regulation, an individual may not be required to accept employment under the WIN program if the job offered would interrupt a program in progress under an approved employability plan leading to self-support or to the resumption of a regular job within a short period of time. Present law has no equivalent provisions for the CWEP, work supplementation, and job search programs.

House Bill

The House bill provides that if an individual is attending, in good standing, an accredited postsecondary institution (not less than half time) and making satisfactory progress in a vocational or undergraduate education or training program consistent with the individual's employment goals, such attendance shall constitute satisfactory participation so long as it continues. Any other activities may not interfere with such school or training.

The costs of the school or training are not eligible for Federal reimbursement; costs of day care, transportation and other services that are necessary for attendance in a program and included in the family support plan are reimbursable.

Senate Amendment

The Senate amendment provides that if an individual is already attending, in good standing, a school or course of vocational training designed to lead to employment, such attendance may constitute satisfactory participation in the program so long as the individual continues to participate in good standing.

The costs of the school or training are not eligible for Federal reimbursement; costs of child care necessary (as determined by the State) for attending school or training may be reimbursed.

Conference Agreement

The conference agreement follows the House bill modified as follows:

If an individual is attending an institution of higher education (as defined in section 481(a) of the Higher Education Act of 1965, as amended), or a school or course of vocational training designed to lead to employment, not less than half time, and making satisfactory progress in such institution, school, or course of training, such attendance may constitute satisfactory participation so long as it

continues and is consistent with the individual's employment goals. If such attendance is treated as constituting participation in the JOBS program, any other activities may not interfere with such school or training.

Costs of the school or training are not eligible for Federal reimbursement; costs of day care, transportation and other services that are necessary (as determined by the State) for attendance in a program are eligible for Federal reimbursement.

E. PROGRAM SANCTIONS

(Section 102 of the House bill and section 201 of the Senate amendment.)

1. General requirement

Present Law

Under the WIN program, sanctions must be applied to an individual who is required to participate if he (1) refuses without good cause to participate in activities to which he is assigned, (2) refuses without good cause to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is offered by the employer if the offer is determined to be a bona fide offer of employment.

Sanctions for other programs are similar to WIN.

House Bill

The House bill requires that sanctions be applied to a recipient who is required to participate if he fails without good cause to comply with any program requirement.

Senate Amendment

The Senate amendment requires that sanctions be applied to a recipient who is required to participate if he (1) fails without good cause to participate in the program, or (2) refuses without good cause to accept any bona fide offer of employment in which he is able to engage.

Conference Agreement

The conference agreement follows the Senate amendment.

2. Nature of sanction

Present Law

Under the WIN program, if the parent or other caretaker relative in a 1-adult AFDC family refuses to participate, the adult's needs must not be taken into account in determining the family's benefits, and aid must be paid to a third party in the form of protective or vendor payments unless the agency is unable to arrange such payments. If the principal earner in a family eligible on the basis of unemployment refuses, aid must be denied to the entire family. If an only child who is required to participate refuses to do so, aid must be denied to the child and the parent. If there is more

than one child, the needs of the child who refuses must not be taken into account.

Sanctions under other programs are the same as those under WIN.

House Bill

The House bill requires that if a sanction is to be applied to a participant, the participant's needs must not be taken into account in determining the family's benefits. If the participant is a member of a family eligible on the basis of the unemployment of the principal earner, and the spouse is not participating, the needs of the spouse must also not be taken into account.

Senate Amendment

Retains present law.

Conference Agreement

The conference agreement follows the House bill modified to provide, as in present law, that, where a parent is sanctioned, payments to the family will be made to a third party in the form of protective or vendor payments unless the agency is unable to arrange such payments. This would apply to both 1-parent and 2-parent families.

3. Length of sanction

Present Law

Under the WIN program, the Secretary is required to issue regulations prescribing the duration of sanctions. Regulations provide:

(1) in the case of the first failure to comply, 3 months;

(2) in the case of second and subsequent failures, 6 months.

(If a volunteer refuses without good cause, the individual must be deregistered for WIN for 3 or 6 months, depending on whether it is the first or a subsequent refusal, but the AFDC grant is unaffected.)

Length of sanctions under the WIN demonstration and CWEP programs are the same as those under WIN. Under the job search program, sanctions must be applied as under WIN, except that the State may reduce the period for which sanctions would otherwise be in effect.

House Bill

The House bill would provide sanctions as follows:

(1) in the case of the first failure to comply, until the failure to comply ceases;

(2) in the case of the second or subsequent failure to comply, until the failure to comply ceases or 3 months, whichever is longer.

Failure by the State agency to carry out its obligations under the client-agency agreement (including failure to provide child care that is appropriate for the child's age and individual needs) shall constitute good cause for failure to comply.

Senate Amendment

The Senate amendment would provide sanctions as follows:

(1) in the case of the first failure to comply, until the failure to comply ceases;

(2) in the case of the second failure to comply, until the failure to comply ceases or 3 months, whichever is longer;

(3) in the case of any subsequent failure to comply, until the failure to comply ceases or 6 months, whichever is longer.

Lack of child care necessary for an individual's participation constitutes good cause for refusal to participate or accept employment.

Conference Agreement

The conference agreement follows the Senate amendment modified so that the lack of child care necessary for an individual's participation, or failure by the State agency to provide necessary care, shall constitute good cause for refusal to participate or accept employment.

F. FAIR HEARING

(Section 102 of the House bill and section 201 of the Senate amendment.)

Present Law

Under present law, WIN regulations provide for a WIN adjudication system that requires efforts toward conciliatory resolution of disputes before notifying an individual of any action, and for a hearing on WIN issues. By regulation, appeals of WIN hearing decisions at the State level may be made to a National Review Panel (made up of ALJs under DOL) under specified circumstances.

Under Supreme Court decision (*Goldberg* v. *Kelly*—1970) and AFDC regulations all States must provide for a State agency hearing or an evidentiary hearing at the local level with a right of appeal to a State agency hearing in all cases of intended action to discontinue, terminate, suspend, or reduce assistance. Agencies must provide timely and adequate notice, and assistance must not be reduced or terminated if the recipient requests a hearing within 10 days of mailing of the notice.

House Bill

The House bill provides that no sanction may be imposed until appropriate notice has been provided and conciliation efforts have been made. Basic fair hearing requirements would be retained as in present law. Specifically, the House bill requires a fair hearing before the State agency in the event of a dispute involving the contents of the plan, the contents or signing of the agreement, the nature or extent of participation, the availability of child care and other supportive services, or any other aspect of participation (including the imposition of sanctions).

When a failure to comply has continued for 3 months, the State agency must remind the participant in writing of the option to end the sanction by complying.

Senate Amendment

The Senate amendment requires States to establish conciliation procedures for the resolution of disputes related to an individual's participation in the JOBS program and a hearing procedure to resolve any disputes not resolved during the conciliation process. A State may have a hearing process especially designed for the purpose of hearing all or some disputes related to the JOBS program, or it may use the regular AFDC hearing process.

Specific language is included stating that assistance may not be suspended, reduced, discontinued, or terminated until an individual is provided an opportunity for a fair hearing that meets the due process standards set forth by the U.S. Supreme Court in *Goldberg* v. *Kelly*—1970.

The State agency must notifiy a recipient of any failure to comply and indicate what action must be taken to terminate the sanction.

Conference Agreement

The conference agreement follows the Senate amendment except it replaces the provision requiring notification of failure to comply with the House provision specifying that when a failure to comply has continued for more than 3 months, the State agency must remind the participant in writing of the option to end the sanction by complying.

G. ASSESSMENT AND CERTIFICATION

(Section 102 of the House bill and section 201 of the Senate amendment.)

Present Law

Regulations under the WIN program require an appraisal interview to determine employability potential and the need for supportive services. When necessary supportive services have been provided the recipient may be certified as ready for participation in WIN.

Present law contains no similar provision with respect to other programs.

House Bill

The House bill requires that the State agency make an initial assessment of (1) the education, child care, and supportive services needs of each participant, (2) the work experience and employment skills of each participant, and (3) each individual's family circumstances. The House bill also requires a review of the needs of the children as well as of those of the adult caretaker. The assessment must include testing of literacy and reading skills.

Senate Amendment

The Senate amendment requires (1) an initial assessment of the education and employment skills of each participant, and (2) a review of each individual's family circumstances. An assessment of

learning disabilities may be part of the State's assessment procedures.

Conference Agreement

The conference agreement follows the House bill modified to allow, rather than require, the State agency to review the needs of the children and to delete the provision requiring testing of literacy and reading skills. The conferees assume that in evaluating the education needs of a participant the State will assess the individual's literacy.

H. EMPLOYABILITY PLAN

(Section 102 of the House bill and section 201 of the Senate amendment.)

Present Law

Under the WIN program, an employability plan must be developed for each individual. The plan must contain a manpower services plan and a supportive services plan, and is designed to lead to employment and ultimately to self-support. Regulations require that the plan contain a definite employment goal, attainable in the shortest time period consistent with supportive services needs, project resources, and job market opportunities. Final approval of the employability plan rests with the WIN agency.

Present law contains no provision with respect to other programs.

House Bill

The House bill requires that, on the basis of the assessment, the agency and the participating members of the family negotiate a family support plan for the family that sets forth the activities in which the family will participate, including child care and other supportive services, and that, to the maximum extent possible, reflects the preference of the participants.

Senate Amendment

The Senate amendment provides that the agency may develop an employability plan for each participant that, to the maximum extent possible, reflects the preferences of the participant.

Conference Agreement

The conference agreement follows the House bill modified as follows: On the basis of the assessment, it requires the State agency, in consultation with the participant, to develop an employability plan that explains the services that will be provided by the State agency and the activities that will be undertaken by the participant and sets forth an employment goal for the participant. The plan must take into account the individual's supportive service needs (including child care), available program resources, and local employment opportunities. To the maximum extent possible, the

employability plan shall reflect the preference of the participants. The employability plan shall not be considered a contract.

States must describe the procedures by which the employability plan will be developed, including how assistance will be provided to participants in reviewing and understanding the plan and in obtaining services needed to assure effective participation through case managers or otherwise.

I. CONTRACT/AGREEMENT

(Section 102 of the House bill and section 201 of the Senate amendment.)

Present Law

Under the WIN demonstration program, States have broad discretion to design their own programs, and at least one State (California) has adopted use of a contract on a statewide basis. Present law contains no provision with respect to the use of contracts in the CWEP, work supplementation, and job search programs.

House Bill

The House bill requires the State agency and the participating members of the family to negotiate and enter into an agreement including a commitment by the participants to participate in accordance with the family's plan; a detailed description of the activities in which the participant will take part and the conditions and duration of participation; a detailed description of all the activities, including child care and other supportive services, that the State will arrange and will provide.

Individuals must be assisted in reviewing and understanding the plan and obligations under the agreement. Before signing the agreement, the participant must be given an opportunity, for a period not to exceed 10 days, to review and renegotiate any appropriate provision of the agreement which the participant deems necessary. The agency representative responsible for implementation of this agreement must also sign it.

No agreement shall give rise to a cause of action against the Federal Government on the grounds of failure of any party to observe its terms.

Senate Amendment

The Senate amendment allows a State to require each participant to negotiate and enter into a contract with the agency that specifies such matters as the participant's obligations, the duration of participation in the program, and the activities the State will conduct and the services it will provide. Individuals must be assisted in reviewing and understanding the contract.

Conference Agreement

The conference agreement follows the Senate amendment.

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J. CASE MANAGEMENT

(Section 102 of the House bill and section 201 of the Senate amendment.)

Present Law

Present law has no specific provision with respect to case management. However, WIN administrative units may not certify an individual for participation until necessary supportive services, including child care, family planning, counseling, medical, and other services have been provided.

House Bill

The House bill requires the State agency to assign a case manager to each family to provide case management services. The case manager must be responsible for obtaining or brokering any other services that may be needed to assure effective participation. The bill also requires the case manager to monitor the progress of the participant, and to periodically review and renegotiate the plan and the agreement as appropriate. Amounts spent on case management would be considered to be expenditures for the proper and efficient administration of the State plan. For families headed by minor parents, only one case manager would be permitted for both cash assistance and Network activities.

Senate Amendment

The Senate amendment allows the State agency to require the assignment of a case manager to each participant's family. The case manager must be responsible for assisting the family to obtain services needed to assure effective participation.

Conference Agreement

The conference agreement follows the Senate amendment.

K. ORIENTATION

(Section 102 of the House bill and section 201 of the Senate amendment.)

Present Law

WIN regulations require that each WIN registrant be informed about the nature of the WIN program and the individual's rights and responsibilities.

House Bill

The House bill requires that States ensure that each recipient is notified and fully informed concerning the education, training, and work opportunities that are offered by the Network program. The welfare agency must provide each applicant for cash assistance with orientation to the Network program, including opportunities offered, obligations of the State agency, and the rights, responsibilities, and obligations of participants. The orientation must include

descriptions of all supportive services including day care and health coverage transition options. The applicant must be explicitly informed that day care must be provided to any parent who needs it and that child care must be appropriate for the age and individual needs of the child. Orientation must also be available at any time to recipients of cash assistance.

As part of the orientation, a knowledgeable individual must (1) provide information on the types and locations of child care services reasonably accessible to participants, (2) inform participants that assistance is available to help them select appropriate child care services, and (3) upon request, provide assistance to recipients in obtaining child care services.

The agency must also inform individuals of the grounds for exemption from participation and the consequences of refusal to participate if not exempt; the opportunity to receive first consideration for services by actively seeking to participate; and other participation information.

Each applicant or recipient must be notified in writing, within one month after orientation, of the opportunity to indicate his or her desire to participate in the program, including a clear description of how to enter the program.

Senate Amendment

The Senate amendment requires that the welfare agency ensure that all applicants and recipients are encouraged, assisted and required to fulfill their responsibilities to support their children by preparing for, seeking, accepting and retaining such employment as they are capable of performing. The agency must notify applicants and recipients of the education, employment, and training services (including supportive services) for which they are eligible.

The State agency must also (consistent with the provisions of title IV) assure that all applicants and recipients be encouraged, assisted and required to cooperate in the establishment of paternity and the enforcement of child support obligations, and must notify applicants and recipients of the paternity establishment and child support services for which they may be eligible.

Conference Agreement

The conference agreement follows the House bill and Senate amendment as follows:

The State agency must assure that all applicants and recipients are encouraged, assisted and required to fulfill their responsibilities to support their children by preparing for, seeking, accepting, and retaining such employment as they are capable of performing.

The agency must inform applicants and recipients of the education, employment, and training opportunities for which they are eligible, the obligations of the State agency, and the rights, responsibilities, and obligations of participants in the education, employment, and training program.

The agency must inform applicants and recipients of all supportive services, including day care and health coverage transition options.

The agency must (1) provide (directly or through arrangements with others) information on the types and locations of child care services reasonably accessible to participants, (2) inform participants that assistance is available to help them select appropriate child care services, and (3) upon request, provide assistance to participants in obtaining child care services.

The agency must inform applicants and recipients of the grounds for exemption from participation and consequences of refusal to participate if not exempt; and provide other participation information.

Each recipient must be notified in writing within one month after having been given the information described above, of the opportunity to indicate his or her desire to participate in the program, including a clear description of how to enter the program.

The agency must also (consistent with the provisions of Title IV) assure that all applicants and recipients are encouraged, assisted, and required to cooperate in the establishment of paternity and the enforcement of child support obligations, and must notify applicants and recipients of the paternity establishment and child support services for which they may be eligible.

L. PROGRAM STANDARDS

(Section 103 of the House bill and section 201 of the Senate amendment.)

1. Work standards

Present Law

By regulation, WIN registrants may not be referred to employment if it fails to meet certain criteria. The following standards must be met before an individual can be required to accept a work or training assignment:

(1) all assignments for trainees must be within the scope of the individual's employability plan. The plan may be modified to reflect changed employment conditions;

(2) the job or training assignment must be related to the capability of the individual to perform the task on a regular basis. A claim of adverse effect on health must be based on adequate medical testimony;

(3) the total daily commuting time must not normally exceed 2 hours, not including transporting of a child to and from child care, unless a longer commuting distance and time is generally accepted in the community;

(4) a work or training site may not be in violation of applicable Federal, State and local health and safety standards;

(5) assignments may not be discriminatory in terms of age, sex, race, creed, color, or national origin;

(6) for training to be appropriate, the quality must meet local employer's requirements, and the training must be likely to lead to employment which will meet appropriate work criteria.

House Bill

The House bill stipulates that the Secretary of Labor is responsible for implementing and carrying out the following provisions:

(1) each assignment under the program must be consistent with the physical capacity, skills, experience, health, family responsibilities, and place of residence of the participant;

(2) a requirement for part-time participation may not exceed 20 hours/week;

(3) individuals assigned to any position under the program may not be discriminated against on the basis of race, sex, national origin, religion, age, or handicapping condition and shall have such rights as are available under any Federal, State, or local law prohibiting discrimination.

Before assigning participants to any program activity the State must assure that:

(1) appropriate standards for health, safety, and other conditions are applicable to participation;

(2) the conditions of participation are reasonable, taking into account the geographic region, the residence of the participant, the proficiency of the participant, and child care and other supportive services needs; and

(3) the participant will not be required, without his or her consent, to travel an unreasonable distance from home or remain away from home overnight.

Senate Amendment

The Senate amendment requires that, in assigning participants to any program activity, the State agency assure that:

(1) the assignment takes into account the physical capacity, skills, experience, health and safety, family responsibilities and place of residence of the participant;

(2) the participant will not be required, without his or her consent, to travel an unreasonable distance from home or remain away from home overnight.

In making an assignment, the State agency may base the assignment on available resources, the participant's circumstances, and local employment opportunities.

Conference Agreement

The conference agreement provides that in assigning participants to any program activity, the State agency must assure that:

(1) the assignment takes into account the physical capacity, skills, experience, health and safety, family responsibilities and place of residence of the participant;

(2) individuals are not discriminated against on the basis of race, sex, national origin, religion, age, or handicapping condition and shall have such rights as are available under any Federal, State or local law prohibiting discrimination;

(3) the conditions of participation are reasonable, taking into account the proficiency of the participant and child care and other supportive services needs; and

(4) the participant will not be required, without his or her consent, to travel an unreasonable distance from home or remain away from home overnight.

In making an assignment, the State agency must base the assignment on available resources, the participant's circumstances, and local employment opportunities.

2. Wage rates

Present Law

The WIN statute has no provision specifying whether a participant must accept a job at any particular wage rate. However, WIN regulations provide that when an income disregard is available, the wage must meet or exceed the Federal or State minimum wage law. When, as a result of becoming employed, no disregard is available, the wage, less mandatory payroll deductions and a reasonable allowance for necessary employment-related expenses, must provide an income equal to or exceeding the family's AFDC cash benefits. There is no similar requirement under the WIN demonstration or job search programs.

House Bill

The House bill provides that the Secretary of Labor is responsible for implementing and carrying out the following provisions:

Wage rates for any position to which a participant is assigned may not be less than the highest of (a) the Federal minimum wage; (b) the minimum wage under applicable provisions of State or local law; or (c) the rates of pay for individuals employed in the same or similar occupations by the same employer.

Appropriate workers' compensation and tort claims protection must be provided to participants on the same basis as they are provided to other employed individuals in the State.

Senate Amendment

The Senate amendment provides that wage rates for jobs to which participants are assigned (work supplementation and on-the-job training) may not be less than the greater of the Federal or applicable State minimum wage.

Appropriate workers' compensation and tort claims protection must be provided to participants on the same basis as they are provided to other individuals in the State in similar employment (as determined under regulations of the Secretary).

Conference Agreement

The conference agreement provides that wage rates for the CWEP program may not be less than the greater of the Federal or applicable State minimum wage. After a participant has been in an assigned CWEP position for 9 months, the participant may not be required to continue in that assignment unless the maximum number of hours of participation is no greater than the cash benefit (excluding the portion of benefit for which the State is reimbursed by a child support payment) divided by the rate of pay for

individuals employed in the same or similar occupations by the same employer at the same site.

3. Displacement

Present Law

States must assure that the community work experience program (CWEP) does not result in displacement of persons currently employed or the filling of established unfilled vacancies. Participants may not perform tasks that would have been undertaken by employees or would have the effect of reducing the work of employees.

House Bill

The House bill provides that the Secretary of Labor is responsible for implementing and carrying out the following provisions:

No work assignment under the program may result in:

(1) the displacement of any currently employed worker or position (including partial displacement such as a reduction in the hours of non-overtime work, wages, or employment benefits);

(2) the impairment of existing contracts for services or collective bargaining agreements;

(3) the employment or assignment of the participant or the filling of a position when (a) any other individual is on layoff from the same or any substantially equivalent position, or (b) the employer has terminated the employment of any regular employee or otherwise reduced its workforce with the intention of filling the vacancy so created with a participant subsidized under the program;

(4) any infringement of the promotional opportunities of any currently employed individual.

Participants in CWEP may not fill established unfilled position vacancies. Each recipient of funds must provide the Secretary of Labor assurances that no funds will be used to assist, promote, or deter union organizing.

Senate Amendment

The Senate amendment provides that no work assignment under the program may result in:

(1) Same as House bill.

(2) Same as House bill.

(3) Same as House bill, except does not include the clause beginning "with the intention."

(4) Same as House bill.

Participants in any work assignment under the program may not fill established unfilled position vacancies.

Conference Agreement

The conference agreement follows the House bill and Senate amendment modified to specify that participants in CWEP, work experience and work supplementation may not fill established un-

filled position vacancies. The phrase in the House bill "with the intention of" is replaced by "with the effect of". JOBS funds may not be used to assist, promote, or deter union organization.

4. Application of standards of demonstration projects

Present Law

No provision.

House Bill

The House bill requires that the program standards described in items 1–3 above (work standards, displacement, wage rates) and the grievance procedure described in item Q below will also apply to any work-related demonstration projects under section 1115 of the Social Security Act.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

5. Net loss of income

Present Law

The WIN statute has no provision specifying whether a participant must accept a job at any particular wage rate. However, WIN regulations provide that when an income disregard is available, the wage must meet or exceed the Federal or State minimum wage law. When, as a result of becoming employed, no disregard is available, the wage, less mandatory payroll deductions and a reasonable allowance for necessary employment-related expenses, must provide an income equal to or exceeding the family's AFDC cash benefits. There is no similar requirement under the WIN demonstration or job search programs.

House Bill

The House provides that a participant may not be required to accept a position under the program (as work supplementation or otherwise) if accepting the position would result in a net loss of income to the family, including the insurance value of any health benefits. The individual is entitled to a fair hearing if there is any dispute over this finding of fact.

Senate Amendment

The Senate amendment requires that a participant may be required to accept a job under the program (as work supplementation or otherwise) only if the State agency assures that the participant's family will experience no net loss of cash income resulting from acceptance of such a job.

Conference Agreement

The conference agreement follows the Senate amendment modified so that a participant may be required to accept a job under the program only if the State agency assures that the participant's family will experience no net loss of cash income resulting from acceptance of such a job. Disputes related to this provision would be resolved through the normal fair hearing process.

M. TYPES OF SERVICES AND ACTIVITIES

(Section 102 of the House bill and section 201 of the Senate amendment.)

1. General requirements

Present Law

WIN regulations establish the following components:

(1) public service employment;

(2) activities to assist individuals in obtaining employment—employment search, including group job seeking, job development, exposure to labor market information, referrals, and job placement;

(3) on-the-job training;

(4) institutional training—vocational or other classroom training. Institutional training must average no more than 6 months with a maximum duration of one year for any individual.

(5) work experience (program rules limit participation to 13 weeks); and

(6) referral to other Federal or State employment or training programs.

WIN programs may also offer relocation assistance. The law requires that one-third of WIN funds must be used for on-the-job training and for public service employment.

CWEP programs must be designed to improve the employability of participants through actual work experience and training and to enable individuals employed under community work experience programs to move promptly into regular public or private employment. Programs are limited to projects which serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care. To the extent possible, the prior training, experience, and skills of a recipient must be utilized in making appropriate work experience assignments. Participants in this program may not fill established unfilled position vacancies. The maximum number of hours in any month that members of a family may be required to work is the number which equals the amount of aid payable with respect to the family divided by the greater of the Federal or the applicable State minimum wage. The Governor of the State must provide coordination between a community work experience program and other programs authorized under the Social Security Act to insure that job placement will have priority over participation in the community work experience program.

Under present law for the work supplementation program, a State may use AFDC benefits to subsidize jobs by either public or private employers (sometimes referred to as grant diversion). Participation in work supplementation must be on a voluntary basis. Provision of Medicaid is optional.

Under the job search program, by regulation, activities may include group job search, job development, exposure to labor market information, work orientation, and referral. No individual may be required to participate more than 8 weeks in any 12-month period (except in the first year, when the total may be 16 weeks).

House Bill

The House bill requires that a range of services and activities be offered by each State. A State must offer items listed below that are marked with an asterisk. The State must also offer at least one service listed below that is not marked with an asterisk.

*(1) high school or equivalent education (combined with training when appropriate) designed specifically for participants who do not have a high school diploma;

*(2) basic and remedial education to achieve a basic literacy level, bilingual education for individuals with limited English proficiency, and specialized advanced education in appropriate cases;

(3) on-the-job training;

*(4) job skills training;

(5) work supplementation programs (see below);

(6) community work experience programs (see below);

*(7) group and individual job search (see below);

*(8) job readiness activities to help prepare participants for work;

*(9) counseling, information, and referral for participants experiencing personal and family problems;

*(10) job development, job placement, and follow up services to assist participants in securing and retaining employment and advancement as needed;

*(11) supportive services, including day care and transportation, reasonably necessary to participation; and

(12) other education and training activities as determined by the State and allowed by regulations of the Secretary.

Services may also include transitional employment to the extent funds are specifically appropriated for this purpose.

For each CWEP participant, the House bill requires a combination of work experience and training or educational services as part of a planned sequence of activities. Programs must be able demonstrably to (1) provide marketable skills to participants without previous work experience, (2) upgrade existing skills of those with limited previous work experience, or (3) transform obsolete skills into marketable skills.

The House bill adds a limitation that States establishing a CWEP program must ensure that each participant either (1) participate for a period not to exceed 6 months, with the maximum number of required hours of participation being a number equal to the amount of the benefit (excluding the portion for which the

State is reimbursed by a child support payment) divided by the highest of (a) the Federal minumum wage, (b) the applicable State or local minimum wage, or (c) the rate of pay for individuals employed in the same or similar occupations by the same employer; or (2) participate for a total of not more than 30 hours a week for a period not to exceed 3 months.

The House bill adds a limitation that no participant may be assigned to CWEP unless (1) the participant's initial assessment identifies lack of recent work experience as a barrier to immediate placement in regular public or private employment; (2) the participant is unable to be placed in employment; (3) the assignment is part of a planned sequence of activities designed to prepare the participant for regular public or private employment; and (4) the participant has not been employed during the preceding 6 months.

If at the conclusion of participation an individual has not become employed, the agency must conduct a reassessment and develop a new employability plan. The individual may not be required to participate in CWEP a second time.

The House bill retains present law with respect to the work supplementation program with modifications. Participation in work supplementation is mandatory for non-exempt recipients. A State may exempt work supplementation participants from restrospective budgeting. The House bill requires that States which choose to operate a work supplementation program provide Medicaid services to participants and children of relatives who would otherwise be eligible for benefits.

The House bill generally retains present law with respect to the job search program but, instead of limiting job search to 8 weeks out of any 12-month period, specifies that after an individual has had 8 weeks of job search without obtaining a job, the individual must engage in training, education, or other activities designed to improve prospects for employment. Job search by an applicant may be required or provided for while his or her application is being processed; and job search by a Network participant may be required or provided for after his or her initial assessment, after his or her education or training, and at other appropriate times as may be set forth in the agency-client agreement and as otherwise provided by the State agency.

Participation in job search without participation in one or more other services or activities shall not be sufficient to qualify as participation in the program after it has continued for 8 weeks without finding a job. The family support plan must be modified and the individual must participate in other activities designed to improve prospects for employment.

Senate Amendment

The Senate amendment provides that a range of services and activities may be offered by each State. A State must offer basic education and skills training, and at least 2 of the 3 items described in (5), (6) and (7) below.

(1) high school or equivalent education (combined with training when appropriate);

(2) remedial education to achieve a basic literacy level; English as a second language; post-secondary education (as appropriate);
(3) on-the-job training;
(4) job skills training;
(5) work supplementation programs;
(6) community work experience programs, and any other work experience program approved by the Secretary;
(7) group and individual job search;
(8) job readiness;
(9) job development, job placement, and follow-up services, as needed, to assist participants in securing and retaining employment and advancement; and
(10) other employment, education and training activities as determined by the State and allowed by regulations of the Secretary.

The Senate amendment retains present law with respect to the CWEP program, except that the maximum number of hours an individual may be required to work in a month is equal to the cash benefit divided by the greater of the Federal or the applicable State minimum wage, excluding the portion of the benefit for which the State is reimbursed by a child support payment.

The Senate amendment retains present law with respect to the work supplementation program with modifications. Participation in work supplementation may be mandatory or voluntary. The Senate amendment retains the present law rule that the existence of a work supplementation program does not excuse recipients from participation in other activities except when actually employed. The Senate amendment requires that States which choose to operate a work supplementation program provide Medicaid services to participants and children or relatives who would otherwise be eligible for benefits.

The Senate amendment generally retains present law with respect to the job search program, but adds that an individual may not be required to participate in job search for more than 3 weeks before the State agency conducts an employability assessment. Further, participation in job search shall not qualify as an activity under the program after an individual has participated for 4 out of the preceding 12 months. (Mandatory job search would remain limited to 8 weeks, as under present law.)

Conference Agreement

The conference agreement requires that a range of services and activities be offered by each State.

A State must offer all of the following items:
(1) educational activities (as appropriate), including high school or equivalent education (combined with training as needed), basic and remedial education to achieve a basic literacy level, and education for individuals with limited English proficiency;
(2) job skills trainings;
(3) job readiness activities;
(4) job development and job placement; and

(5) supportive services as provided in part III.

States must also offer two of the following four activities:

(1) group and individual job search;

(2) on-the-job training;

(3) work supplementation programs; and

(4) community work experience programs or any other work experience program approved by the Secretary.

A State may offer postsecondary education (as appropriate) and other education, training and employment activities as determined by the State and allowed by regulations of the Secretary.

The conferees intend that job search activities be intensive.

Although the above required components must be part of a State's program, the program need not be operated uniformly in all parts of a State. The conferees recognize the desirability of having programs that respond to varying circumstances, such as changes in the unemployment rate, and that reflect different needs, such as may exist in rural and urban areas. The conferees intend that States have the flexibility to design their programs to accommodate such differences.

The conference agreement retains present law with respect to the CWEP program, with modifications. After an individual has been assigned to a CWEP position for 9 months, the individual may not be required to continue in that assignment unless the maximum number of hours of participation is no greater than the cash benefit (excluding the portion of benefit for which the State is reimbursed by a child support payment) divided by the rate of pay for individuals employed in the same or similar occupations by the same employer at the same site. At the conclusion of each CWEP assignment, but, in any event, after each 6 months of participation in CWEP, the State agency must provide a reassessment, and revision, as appropriate, of the individual's employability plan.

The conference agreement retains present law with respect to the work supplementation program, with modifications. It follows the Senate provision that allows States to make participation in work supplementation either mandatory or voluntary; follows the House bill allowing States to exempt work supplementation participants from retrospective budgeting; and follows the House bill and Senate amendment requiring States to provide Medicaid to participants in work supplementation.

The conference agreement retains present law with respect to the job search program, with modifications. It retains the present law provision that limits required participation in a job search program to 8 weeks in any 12-month period (except in the year of application, when the total may be 16 weeks). It further provides that any additional job search may be required only in combination with some other education, employment, or training activity designed to improve prospects for employment. An applicant may be required to participate in job search (as in the House bill and Senate amendment). A recipient may not be required to participate in job search for more than 3 weeks before the State agency conducts an employability assessment (as in the Senate amendment). The conference agreement follows the Senate amendment providing that participation in job search shall not qualify as an activity

under the program after an individual has participated for 4 out of the preceding 12 months.

2. Special requirement for education services

Present Law

No provision.

House Bill

The House bill provides that before being required to participate in any other activity, any participant lacking a high school diploma must be required to participate in a program which addresses the education needs identified in the participant's initial assessment. Any other services or activities to which a participant is assigned may not interfere with participation in an appropriate education program. The requirement of education services for persons without a high school diploma may not be imposed with respect to any participant who demonstrates a basic literacy level and whose plan identifies a long-term employment goal that does not require a high school diploma. The House bill requires that education services be consistent with an individual's employment goals.

Senate Amendment

The Senate amendment provides that a State agency must require a parent under age 22 who has not completed high school to attend school regardless of the age of the child. A State may require the parent to participate in educational activities on a full-time basis. Alternative work or training activities may be provided if the parent fails to make good progress, or if it is determined pursuant to an educational assessment that participation in education is inappropriate. These are limited to 24 hours per week. In making the initial assessment and developing an employability plan for a participant who has attained age 22 and does not have a high school diploma, the State agency must place emphasis on meeting the participant's educational needs.

Conference Agreement

The conference agreement follows the House bill and Senate amendment as follows:

To the extent the JOBS program is available in the area and State resources permit, a State agency shall require a parent under age 20 who has not completed high school (or equivalent), including a parent who is not otherwise required to participate in JOBS solely because of the exclusion relating to providing care for a child under age 3, to participate in an educational activity. A State may require the parent to participate in educational activities directed at the attainment of a high school diploma (or equivalent) on a full-time (as defined by the educational provider) basis.

The conferees recognize that there will be some parents, particularly those who are beyond high school age, for whom enrollment in a regular high school program will not be appropriate. The State

agency will be expected to identify or develop alternative educational activities to meet the needs of those parents.

Alternative work or training activities may be provided if the parent fails to make progress, or if it is determined pursuant to an educational assessment that participation in education is inappropriate. Participation in alternative work or training activities is limited to 20 hours per week.

When an individual age 20 or over who does not have a high school diploma (or equivalent is required to participate in the program, the State agency must include education services as a component unless (1) the individual demonstrates a basic literacy level, or (2) the plan identifies a long-term employment goal that does not require a high school diploma (or equivalent). Any other services or activities to which a participant is assigned may not interfere with participation in an appropriate education component. Education services must be consistent with an individual's employment goals.

Child care must be guaranteed.

3. Services for children of participants

Present Law

No provision.

House Bill

The House bill provides that the State must encourage children in participating families to take part in any suitable education or training programs available under the program. The State's program must also provide these children with additional services designed to help them stay in school (including financial incentives as appropriate), complete their high school education, and obtain marketable job skills. Activities may not be permitted to interfere with school attendance.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill with modifications. To the extent the program is available and resources permit, the State must encourage children in participating families to take part in any suitable education or training programs available under JOBS. Activities may not be permitted to interfere with school attendance. The conferees do not expect that States will be required to develop special programs for children or youth, but if it is determined that the child of a participant would benefit from enrollment in a component of the JOBS program, the child must be encouraged to do so.

N. FEDERAL/STATE FUNDING

(Section 102 of the House bill and section 202 of the Senate amendment.)

Present Law

Under the present WIN statute, the Federal share is 90% of amounts appropriated and the State share is 10%. Ninety percent matching is available for all allowable expenditures, including both services and administration. The State share may be in cash or kind. Allocation of funds among States is as follows: 50% on the basis of the number of WIN registrants, and 50% on the basis of performance criteria established by the Secretary (these emphasize job placement).

Under present law, matching for the WIN demonstration program is the same for WIN. The statute requires that a WIN demonstration State's allocation equal its initial 1981 WIN allocation. As WIN appropriations have been reduced (from $365 million in FY81 to $93 million in FY88), the Administration has reduced State allocations accordingly, distributing funds on the basis of the State's share of the 1981 appropriations.

Under present law for the CWEP, work supplementation, and job search programs, the Federal share is 50% and the State share is 50% for costs of allowable program activities on an open-ended entitlement basis.

House Bill

The House bill provides Federal matching for education, training, and other non-administrative activities on an open-ended entitlement basis. The Federal match is 90% for expenditures up to the amount allotted to the State for WIN in FY87; of additional amounts, the Federal match is 65%. The Federal match for costs associated with administration is 50%. Matching for CWEP training is available at the 90% and 65% rates; matching for other CWEP costs is 50%. The House bill does not specify whether the State share may be in cash or kind.

The House bill provides that Federal funds made available to a State for purposes of the program under this section shall be used to augment and expand the existing services and activities which promote the purpose of this section, and shall not in whole or in part replace or supplant any State or local funds already being expended for that purpose.

None of the funds made available to a State for purposes of work-related program activities under the family support program, the Network program, or for demonstration projects in connection with the family support program may be used for construction.

Senate Amendment

The Senate amendment provides that Federal matching for JOBS program costs is available as a capped entitlement limited to $500 million in FY 1989, $650 million in FY 90, $800 million in FY 91, and $1 billion in FY 92 and years thereafter. The Federal match is 90% for expenditures up to the amount allotted to the State for WIN in FY 87. Of additional amounts, the Federal match is at the Medicaid matching rate, with a minimum Federal match of 60%, for non-administrative costs and for personnel costs for full-time staff working on the JOBS program. The match for other

administrative costs (including evaluation) is 50%. State matching for amounts above the 1987 WIN allocation must be in cash. States receive an amount equal to their WIN allotment for FY 87 ($126 million for all States). Additional funds are allocated on the basis of each State's relative number of adult recipients.

Federal program funds may not be used to supplant non-Federal funds for existing services and activities. State or local expenditures for these purposes must be at least equal to expenditures for FY86.

Conference Agreement

The conference agreement follows the Senate amendment except that it provides that the cap will be $600 million in fiscal year 1989, $800 million in fiscal year 1990; $1 billion in fiscal years 1991, 1992 and 1993, $1.1 billion in fiscal year 1994 and $1.3 billion in fiscal year 1995; and provides that JOBS program funds may not be used for construction.

O. PRIORITY/TARGET POPULATION

(Section 102 of the House bill and section 202 of the Senate amendment.)

Present Law

Under the present law WIN program, priority must be accorded to individuals in the following order, taking into account employability potential:

(1) unemployed parents who are principal earners;

(2) mothers, whether or not required to register, who volunteer for participation;

(3) other mothers, and pregnant women, registered for WIN, who are under age 19;

(4) dependent children and relatives age 16 and above who are not in school or engaged in work or training;

(5) all other individuals.

Establishment of a priority population is at State discretion for all other programs.

House Bill

The House bill stipulates that the program must establish specific target populations to include:

(1) families that have received assistance continuously for 2 or more years (20 out of 24 consecutive months);

(2) families with a teenage parent, and families with a parent who was under age 18 when the first child was born;

(3) families with a parent who lacks a high school diploma or its equivalent;

(4) families in which the youngest child is within 2 years of being ineligible for assistance because of age.

To the extent that resources are not adequate, priority for services must be accorded as follows:

(1) first to individuals who are not required to participate and who volunteer, if they are included in 2 or more of the target groups (described above);

(2) second to individuals who are required to participate if they are included in 2 or more of the target groups (described above);

(3) third to other individuals who are not required to participate and who volunteer;

(4) fourth to other individuals who are required to participate.

Among those who are required to participate, first consideration for services must be given to those who actively seek to participate.

A State that provides satisfactory assurances that it will make available the resources to serve all mandatory and voluntary participants within a 3-year period after the effective date will not have to apply the above priorities until the expiration of the 3-year period.

If a voluntary participant drops out of the program after having participated, he or she shall not be given priority so long as other mandatory or voluntary participants seek to participate.

Senate Amendment

The Senate amendment provides that Federal matching is reduced to 50 percent unless 50 percent of funds are spent on the following target populations:

(1) recipients who have received assistance for any 30 of the preceding 60 months;

(2) applicants who have received assistance for any 30 of the 60 months immediately preceding application;

(3) custodial parents under age 24 who (a) have not completed high school and are not enrolled in high school or an equivalent course; or (b) had little or no work experience in the preceding year.

Within the target groups, States must give first consideration for participation to individuals who volunteer.

The Senate amendment requires that the Secretary submit recommendations to the Congress every 2 years for modifications or additions to the target groups that the Secretary determines would further the goal of assisting long-term or potential long-term recipients to achieve self-sufficiency.

Conference Agreement

The conference agreement follows the Senate amendment with modifications. It would reduce Federal matching to 50 percent unless 55 percent of funds are spent on the following target populations:

(1) families in which the custodial parent is under age 24 and (a) has not completed high school or is not enrolled in high school or an equivalent course; or (b) had little or no work experience in the preceding year;

(2) families in which the youngest child is within 2 years of being ineligible for assistance because of age;

(3) families who have received assistance for more than 36 months during the preceding 60-month period.

The above target requirements may be waived if a State demonstrates to the satisfaction of the Secretary that the characteristics of the caseload in the State make it infeasible to meet the requirements, and that the State is targeting other long-term or potential long-term recipients.

Within the target groups, States must give first consideration for participation to individuals who volunteer.

If a voluntary participant drops out of the program without good cause after having participated, he or she shall not be given priority so long as other mandatory or voluntary participants seek to participate.

The Secretary must submit recommendations to the Congress every 2 years for modifications or additions to the target groups that the Secretary determines would further the goal of assisting long-term or potential long-term recipients to achieve self-sufficiency.

P. PARTICIPATION REQUIREMENTS

(Section 202 of the Senate amendment.)

Present Law

Under present law for the WIN program, a State's Federal AFDC matching share must be reduced by one percentage point for each percentage point by which the number of individuals certified as ready for employment or training (by virtue of the provision of necessary supportive services) is less than 15 percent of the average number of individuals in the State who, during the year, are required to register for WIN.

House Bill

No provision.

Senate Amendment

The Senate amendment provides that a State's Federal matching rate for the JOBS program is reduced to 50% for any year in which it fails to engage the following percentage of non-exempt welfare recipients in the program: 10% in FY 90 and FY 91, 14% in FY 92 and FY 93, and 22% in FY 94. (The penalty does not apply in FY 90.)

A State meets the participation requirements for a year if its average participation rate for the computation periods in the year is at least as great as the rate specified above. Within each computation period, the participation rate is determined as the average of (1) the average monthly participation rate for the computation period and (2) the participation for the month in that period in which the participation rate was highest. The computation periods are: the entire year in FY 90, January–June and July–December in FY 91, calendar quarters in FY 92 and FY 93, and months in FY 94.

The rate is computed by dividing the number of actual participants (including volunteers) in the JOBS program by the number of individuals who are mandatory participants under the terms of the bill. (Mandatory participants for this calculation do not include parents caring for children under age 3 or the second parent in unemployed parent families even if the State opts to require their participation.) Participation must be something more than simple registration for the JOBS program; it must meet State-established requirements which are consistent with regulations of the Secretary. The participation rate standards cease to apply after 1994.

If a State fails to meet the required participation rate for a year, the Secretary may waive the penalty (in whole or part) if the State otherwise is operating a JOBS program in conformity with the law, has made a good faith effort to meet the participation rate requirement, and has submitted a proposal which is likely to achieve the required participation rate for subsequent years.

A State must require at least one parent in a two-parent family eligible on the basis of the unemployment of the principal earner (AFDC-UP) to participate at least 16 hours a week in a work supplementation, CWEP, or other work experience program. (See description of AFDC-UP for additional requirements that a State may make applicable.) To meet this requirement, a State that currently has a UP program must engage 50 percent of UP families in a program in fiscal year 1994, and 100 percent in 1995 and thereafter. States currently without a UP program must meet these requirements in fiscal years 1995 and 1996 and thereafter.

Conference Agreement

The conference agreement follows the Senate amendment except as follows:

Basic AFDC Caseload.—Requires States to meet a monthly participation rate of 7 percent in fiscal years 1990 and 1991, 11 percent in fiscal years 1992 and 1993; 15 percent in fiscal year 1994; and 20 percent in fiscal year 1995. These participation rates are expected to result in the following numbers of new participants (over the present law CBO baseline): 240,000 in fiscal year 1991; 360,000 in fiscal year 1992; 360,000 in fiscal year 1993; 545,000 in fiscal year 1994; and 800,000 in fiscal year 1995.

AFDC-UP Caseload.—One parent must participate at least 16 hours per week, but, with respect to CWEP, not more hours than the minimum wage equivalent based on the welfare payment less the portion reimbursed by child support. (While participation in CWEP of less than 16 hours because of the minimum wage rule will qualify as meeting this requirement, participation which is less than 16 hours because of the wage rates rule applicable after 9 months participation (see item M. for discussion) will not qualify.) Participation must be in work supplementation, community work experience or other work experience program, on-the-job training, or a State designed work program approved by the Secretary.

The requirement would apply to 40 percent in 1994, 50 percent in 1995, 60 percent in 1996, and 75 percent in 1997-1998 (calculated so that, on average, these percentages of the caseload would be participating in each month of the year). The requirement would ex-

clude families who have been on the rolls less than 2 months provided that at least one parent in such families participates in intensive job search during those two months.

A State may substitute participation in an educational program leading to a high school diploma or GED or other basic education program in the case of a parent under age 25 who has not completed high school.

If a State fails to meet the work requirements for a year, the Secretary may waive the penalty (in whole or in part) if the Secretary finds that the State otherwise is operating a JOBS program in conformity with the law, has made a good faith effort to meet the participation rate requirement but has been unable to do so because of economic conditions in the State recipients living in remote locations or isolated rural areas where the availability of work sites is severely limited or because of rapid and substantial increases in caseload that cannot reasonably be planned for, and has submitted a proposal that is likely to achieve the required participation rate for subsequent years.

Q. GRIEVANCE PROCEDURE

(Section 103 of the House bill and section 201 of the Senate amendment.)

Present Law

No provision.

House Bill

The House bill provides that the Secretary of Labor is responsible for implementing and carrying out the following provisions:

(1) Each State welfare agency must establish and maintain a grievance procedure for dealing with complaints about its programs and activities from participants, subgrantees, subcontractors, and other interested persons. Hearings on any complaint must be conducted within 30 days after the complaint is filed and a decision must be made no later than 60 days after the filing.

(2) The decision of the State agency may be appealed to the Secretary of Labor and the complaint itself may be appealed to the Secretary of Labor if the State agency fails to make a decision within the prescribed 60-day period.

(3) Whenever the Secretary of Labor receives an appeal or has reason to believe that the program standards described in 1, 2, or 3 of item L have been violated, the complaint must be transmitted at the same time to the entity alleged to have committed the violation. An opportunity shall be afforded the entity to review the complaint and to submit a reply to the Secretary within 15 days after receiving the copy of the complaint.

(4) An official designated by the Secretary of Labor must review any complaint and conduct an investigation to determine whether there is substantial evidence that the affected activities fail to comply with the program standard requirements. Findings and recommendations must be reported to the Secretary within 60 days after commencing the review. Within 45 days after receiving the report, the Secretary must issue a final determination as to wheth-

er a violation has occurred, and must institute proceedings to compel the repayment of any funds determined to have been expended in violation of the program standard requirements.

(5) The existence of the remedies available under the grievance procedure may not preclude any person who alleges that an action of a State agency violates provisions relating to working conditions, displacement, wage rates, workers' compensation, tort claims protection, grievance procedures, and use of funds for construction from instituting a civil action or pursuing any other remedy authorized under Federal, State, or local law.

(6) Regulations to carry out the program standard provisions must be issued by the Secretary of Labor in consultation with the Secretary of HHS following the same timetable required for other regulations for NETWork.

Senate Amendment

The Senate amendment requires that the State establish and maintain (pursuant to regulations jointly issued by the Secretaries of HHS and Labor) a grievance procedure for resolving complaints by regular employees or their representatives that the assignment of an individual under the program violates any of the above prohibitions. A decision of the State may be appealed to the Secretary of Labor for investigation and such action as the Secretary finds necessary.

Conference Agreement

The conference agreement follows the Senate amendment with modifications. The State must establish and maintain (pursuant to regulations jointly issued by the Secretaries of HHS and Labor) a grievance procedure for resolving complaints by regular employees or their representatives that the assignment of an individual under the program violates displacement provisions.

A decision of the State may be appealed to the Secretary of Labor for investigation and such action as the Secretary finds necessary. (Disputes relating to work standards, wage rates, and workers' compensation will be handled as described in item II.C.4.)

R. SPECIAL PROVISION FOR INDIAN TRIBES

(Section 202 of the Senate amendment.)

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment provides that Indian tribes (or Alaska Native organizations) may apply to operate work, training, and education programs. Application must be made no later than 6 months after enactment. If an application is made and approved,

the Secretary may grant funds to the tribe or Alaska Native organization (without a non-Federal matching requirement) to operate such a program. The amount of funds will be based on the ratio of adult recipients in the tribe relative to the adult recipients in the State multiplied by the State's JOBS program allocation under the entitlement cap. (The State's cap will be appropriately reduced.) Requirements of the JOBS program may be waived if the Secretary determines that they would be inappropriate.

Conference Agreement

The conference agreement follows the Senate amendment.

S. REGULATIONS

(Section 102 of the House bill and section 204 of the Senate amendment.)

Present Law

No provision.

House Bill

The House bill requires the Secretary of HHS to issue regulations for implementing the Network program within 6 months after enactment, and publish final regulations within 9 months after enactment. Regulations must be developed by the Secretary in consultation with the Secretary of Labor and with the State welfare agencies.

Senate Amendment

The Senate amendment requires that proposed regulations be issued by the Secretary of HHS within six months after the date of enactment; final regulations must be published by one year after the date of enactment.

Conference Agreement

The conference agreement follows the Senate amendment with respect to the timetable for issuing regulations, and the House bill with respect to the consultation required in the development of the regulations.

T. PERFORMANCE STANDARDS AND REPORTING REQUIREMENTS

(Section 103 of the House bill and section 204 of the Senate amendment.)

Present law

No provision.

House Bill

The House bill requires that the Secretary of HHS establish performance standards for State network programs (to do so, he is directed to contract with the National Academy of Sciences). The

standards must be designed to evaluate the success of services provided and activities conducted and must at a minimum (in the following order of priority):

(1) provide methods for measuring the degree to which States are targeting their programs to those in each priority group who will have the most difficulty finding employment;

(2) provide methods for determining whether States are providing intensive services under the program, tailored to the individual needs of participants and fully calculated to produce self-sufficiency;

(3) take into account the extent to which the program results in long-term job retention, reduced welfare dependency, educational improvements, and placement in jobs in which health benefits or child care are provided;

(4) provide methods for measuring the degree to which States are placing strong emphasis on participation by volunteers among priority groups;

(5) give appropriate recognition to the likelihood that unemployment and other factors will influence the success of the employment program;

(6) measure the cost effectiveness of the employment portion of the program and the welfare savings that result from the program;

(7) establish expectations for placement rates, including the minimum rate at which participants within each priority group are to be placed in jobs or complete their education or both; and

(8) take into account such other factors as are deemed important.

Performance must be measured by outcome and not by levels of activity or participation, and must be based on the degree of success which may reasonably be expected of States in carrying out programs that help individuals achieve self-sufficiency and in reducing welfare costs. The performance standards must be periodically reviewed by the Secretary and modified to the extent necessary.

The House bill directs the Secretary to contract with the National Academy of Sciences to develop the performance standards. The Academy must establish an advisory committee including representatives of Congress, State and local agencies administering Network programs, the Secretaries of Labor and HHS, State job training coordinating councils, labor organizations, business organizations, education agencies, researchers, community based organizations, and organizations representing eligible participants. The proposed performance standards developed by the advisory committee must be submitted to the appropriate committees of Congress prior to their submission to the Secretary.

The House bill provides that the Secretary may collect preliminary information from the States to assist in the development of performance standards.

Preliminary guidelines to facilitate compliance with performance standards must be established within 12 months after the date of enactment. Final standards must be published no later than 24 months after enactment.

The Secretary must conduct evaluations of each State's progress toward meeting the performance standards, and submit an annual report to the Congress.

If a State fails to meet the performance standards, the Secretary must provide technical assistance, and review the State's compliance (no later than 6 months after providing technical assistance).

The Secretary must periodically (but not more frequently than every 3 years) review the performance standards.

The Secretary must develop and transmit to the Congress, for appropriate legislative action, a proposal for modifying the Federal matching rate to reflect the relative effectiveness of the various States in carrying out the Network program.

The Secretary must establish uniform reporting requirements under which States must periodically furnish information and data, including, but not limited to, average monthly number of families assisted, types of families, amounts spent per family, and length of participation. These data would be required for each Network activity.

Senate Amendment

The Senate amendment requires that no later than five years after enactment, the Secretary must develop performance standards and submit his recommendations for such standards to the Congress. Standards must be developed in consultation with representatives of organizations representing Governors, State and local administrators, educators, and other interested persons, and be based in part on the results of implementation and effectiveness studies. Recommendations must be made with respect to specific measures of outcomes, such as participation rates, income gains, and placement rates.

Conference Agreement

The conference agreement follows the Senate amendment with modifications.

No later than 3 years after the mandatory effective date of the program, the Secretary must develop performance standards and submit his recommendations for such standards to the committees of Congress with jurisdiction over the program.

Standards must be developed in consultation with the Secretary of Labor, representatives of organizations representing Governors, State and local administrators, educators, State job training coordinating councils, community-based organizations, recipients, and other interested persons, and be based in part on the result of implementation and effectiveness studies.

In developing performance standards, the Secretary should consider the measures of performance identified in the House bill as illustrative of the types of factors which are to be taken into account.

Performance must be measured by outcome and not only by levels of activity or participation, and must be based on the degree of success which may reasonably be expected of States in carrying out programs that help individuals increase earnings, achieve self-sufficiency, and reduce welfare dependency. The performance

standards must be periodically reviewed by the Secretary and modified to the extent necessary.

The Secretary may collect information from the States to assist in the development of performance standards.

The Secretary must develop and transmit to the Congress, for appropriate legislative action, a proposal for measuring State progress, providing technical assistance to enable States to meet standards, and modifying the Federal matching rate to reflect the relative effectiveness of the various States in carrying out the program.

The Secretary must include in the regulations that he issues with respect to the JOBS program, regulations that establish uniform reporting requirements under which States must periodically furnish information and data, such as average monthly number of families assisted, types of families, amounts spent per family, length of participation, and such other information and data as the Secretary may determine. These data must be provided for each program activity.

U. EVALUATIONS/EFFECTIVENESS STUDIES

(Section 804 of the House bill and section 204 of the Senate amendment.)

1. Implementation and evaluation studies

Present Law

No provision.

House Bill

The House bill requires the Secretary to provide for the continuing evaluation of programs, for research on ways to increase their effectiveness, and for technical assistance to States, localities, schools and employers who participate in the program and request or require assistance. Research on increasing the effectiveness of programs must include: the effectiveness of giving priority to participants who actively seek to participate; appropriate strategies for assisting 2-parent families; wage rates of people placed under the program; the most effective approaches in meeting the needs of specific groups and types of participants; and the effect of targeting on families with children below age 6.

The House bill authorizes $20 million during a five year period to fund an interagency panel composed of representatives of OMB, CBO, CRS, and GAO to design, implement, and monitor a series of implementation and evaluation studies to assess the methods and effects of the work, education and training program. The panel is required to report annually for five years. The panel must appoint a 12-member advisory board including representatives of business, labor, academia, children's groups, and others.

Senate Amendment

The Senate amendment has no provision requiring the continuing evaluation of programs.

The Senate amendment requires the Secretary to conduct an implementation study based on a representative sample of States and localities, and to document with respect to JOBS programs (1) the types, mix, and costs of services offered, (2) participation rates or activity levels, (3) the characteristics of the individuals in the different types of activities, (4) the provisions made for child and day care and the extent to which limitations exist with respect to the availability of such care, (5) the institutional arrangements and operating procedures under which activities are offered in the different locations, and (6) such other factors as the Secretary deems appropriate. The bill authorizes an appropriation of $500,000 for each of fiscal years 1989, 1990, and 1991.

Conference Agreement

The conference agreement follows the House bill requiring the Secretary to provide for the continuing evaluation of programs and follows the Senate amendment requiring the Secretary to conduct an implementation study based on a representative sample of States and localities. The conference agreement authorizes $500,000 for each of fiscal years 1989, 1990, and 1991 for the Secretary's implementation study.

2. Effectiveness study

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment directs the Secretary to conduct a study to determine the relative effectiveness of the different approaches used by States under the JOBS program for assisting long-term recipients. The study must be based on data gathered from demonstration projects conducted in five States. Projects must be conducted for a period of not less than three years.

Demonstration projects must use specific outcome measures to test the effectiveness of particular programs, including educational status, employment status, earnings, receipt of child support supplements, receipt of other transfer payments, and to the extent possible, the poverty status of participating families. Projects must involve use of experimental and control groups composed of a random sample of participants.

Participating States must provide the Secretary interim data from the effectiveness demonstration projects. The Secretary must report to the Congress annually on the progress of the projects, and not later than one year after the date of final data collection, must submit the effectiveness study to the Congress.

The Senate amendment authorizes an appropriation of $10 million for each of fiscal years 1989 through 1993 for payments to States conducting demonstration projects.

Conference Agreement

The conference agreement follows the Senate amendment with respect to State evaluations with modifications.

The Secretary is directed to conduct a study to determine the relative effectiveness of the different approaches used by States under the program for assisting long-term recipients, as in the Senate amendment. As in the House bill, the Secretary must appoint an advisory panel to design, implement, and monitor the study. The panel may include representatives of OMB, CBO, CRS, GAO, and such other individuals and organizations as the Secretary may determine. The conference agreement provides $5 million for fiscal years 1990 and 1991 for evaluation and effectiveness studies.

3. Impact on Indians

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment requires that the Secretaries of HHS and Interior conduct a study of the effectiveness of the JOBS program for Indians.

Conference Agreement

The conference agreement follows the Senate amendment.

V. WIN TRANSITION/EFFECTIVE DATE

(Section 104 of the House bill and section 202 of the Senate amendment.)

Present Law

The WIN program is permanently authorized.

The authority for the WIN demonstration program expires October 1, 1990.

House Bill

The House bill repeals the WIN program effective October 1, 1989 and replaces it with the Network program. States may elect to participate in Network before October 1, 1989 by notifying the Secretary of HHS.

Each State welfare agency would be required to carry out an initial evaluation of the characteristics of potential Network participants within 6 months after the date of enactment. Particular attention must be given to current and future labor market demands, and any changes needed in the current delivery system. The evaluation must be structured to produce accurate and usable information on the age, family status, educational and literacy levels, duration of eligibility for family support supplements, and work experi-

ence of potential participants in Network, including numbers of such individuals and families in each category. The Secretary of HHS, in consultation with the Secretary of Labor, must provide technical assistance to the States as they develop their initial evaluations. The Secretary of HHS must transmit copies of the initial evaluations from each State to the advisory committee and to the National Academy of Sciences for use in preparation and review of performance standards.

Each State would receive $100,000 to help finance its initial evaluation from amounts available to the Secretary of HHS for fiscal year 1988. Such sums as may be necessary would be authorized for fiscal year's 1988 and 1989 to carry out the WIN transition. Ten percent of the WIN appropriation each year would be for carrying out the initial State evaluations and for technical assistance and planning grants. In allocating these amounts, the Secretary would take into account each State's prior year's allocation and the relative share of recipients in each State for the most recent year. Each State must ensure that at least 10 percent of the costs are covered from non-Federal sources. Non-Federal contributions may be in cash or in kind.

Senate Amendment

The Senate amendment repeals the WIN program effective October 1, 1990 and replaces it with the JOBS program. The WIN demonstration authority is extended through fiscal year 1990.

A State may implement a JOBS program before October 1, 1990 (after proposed regulations have been published). The JOBS funding limitation for a State that operates a program for less than a full fiscal year must be adjusted to reflect the portion of the year during which the JOBS program will be in effect in the State.

Conference Agreement

The conference agreement follows the Senate amendment with respect to the effective date of the JOBS program.

The conference agreement follows the House bill with respect to initial State evaluations of the characteristics of potential participants with modifications. It allows, rather than requires, States to conduct these evaluations. It deletes the requirement that the Secretary transmit copies of the evaluations to the advisory committee and the National Academy of Sciences. It adds a requirement that the Secretary take evaluations into account in developing performance standards.

W. TRANSITIONAL EMPLOYMENT

(Section 105 of the House bill.)

Present Law

No provision.

House Bill

The House bill provides that transitional employment with a public or private nonprofit employer for no more than 6 months

(unless another 6-month period is determined to be necessary) would be authorized for participants who have completed their Network activities but still are unable to find jobs. The individual must have participated in other Network activities, including job search, for 6 months. Priority would be given to transitional jobs in services to other participants, such as day care or transportation, and to jobs likely to lead to unsubsidized employment. Such sums as may be necessary would be authorized.

Effective date: Upon enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment; i.e., no provision.

X. CAREGIVERS AND CHILD CARE

(See additional child care provisions in section III.)
(Section 105 of the House bill.)

1. Training of caregivers

Present Law

No provision.

House Bill

The House bill requires that each State institute a program to provide grants for training for child care personnel in such areas as child growth and development, communications and families, health and safety and administration and management. Child care personnel may include employees of child care centers, family day care providers, and others meeting standards set by Title IV of the Social Security Act.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment (i.e., no provision).

2. Child care supply

Present Law

No provision.

House Bill

The House bill provides that any State may institute a program to provide grants to local nonprofit child care programs to establish or renovate child care centers and family day care homes that

meet standards under Title IV of the Social Security Act and that will serve participants in NETWork activities. Grants could be used also to help day care providers to comply with health and safety standards.

A sum not exceeding $150,000,000 would be authorized for each fiscal year to fund training of caregivers and child care supply.

Effective date: Upon enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment (i.e., no provision).

TITLE III.—TRANSITIONAL ASSISTANCE FOR FAMILIES AFTER LOSS OF AFDC ELIGIBILITY

A. CHILD CARE DURING PARTICIPATION IN WORK, EDUCATION AND TRAINING

(Section 201 of the House bill and section 301 of the Senate amendment.)

1. General requirement

Present Law

Under the WIN program, the State agency must provide child care necessary to enable individuals to accept employment or receive training. When more than one kind of child care is available, the mother may choose the type, but she may not refuse to accept child care services if they are available. Under the CWEP and job search programs, the State agency must provide child care necessary for participation. Child care under the WIN demonstration and work supplementation programs is at State discretion.

House Bill

The House bill requires that the State guarantee child care (including day care for an incapacitated individual) to the extent that it is determined by the agency to be directly related to an individual's participation in work, education or training; reasonably necessary for participation; and cost-effective. (Cost effective is defined to mean care furnished within the following specified dollar limitations: $175 per month for a child age 2 or over and $200 per month for a child under age 2.) The House bill also specifies that child care must be appropriate for the age and individual needs of the child.

Senate Amendment

The Senate amendment requires the State agency to guarantee child care (including day care for an incapacitated individual) to the extent that it is determined by the agency to be necessary for

an individual's participation in employment, education, and training under JOBS.

Conference Agreement

The conference agreement provides that the State agency must guarantee child care to the extent that it is determined by the agency to be necessary for an individual's employment. The State agency must also guarantee child care for education and training activities (including participation in the JOBS program) if the State agency approves the activity and determines that the individual is satisfactorily participating in the activity. Whenever the State agency arranges child care, the agency shall take into account the individual needs of the child.

2. Methods of providing/reimbursing care

Present Law

Under the WIN program, the agency may provide care through arrangements with others or otherwise. Under the CWEP program, funds may be used to pay for day care that is provided either directly or indirectly by the State agency, and that is directly attributable to participation. Under the job search program, services necessary to enable an individual to participate must be furnished by the agency. If not provided directly or by contract, the agency must pay (in advance or by reimbursement) expenses reasonably incurred in meeting job search requirements.

House Bill

The House bill allows the State to provide care directly or reimburse the family (in advance whenever possible) for the costs of care incurred in any month. Reimbursements may be made by contract or certificate, or by disregarding the costs of care from the earned income of the family as provided in the bill. The House bill requires that any changes a State makes to its method of reimbursing day care costs may not have the effect of disadvantaging individuals or families receiving aid on the date of enactment, by reducing their income or otherwise.

Senate Amendment

The Senate amendment allows the State agency to provide care itself, arrange care by use of contract or vouchers, provide cash or vouchers in advance to the caretaker relative, reimburse the caretaker relative, or adopt any other arrangements deemed appropriate by the agency.

Conference Agreement

The conference agreement provides that the State agency may provide care itself, arrange care by use of contract or vouchers, provide cash or vouchers in advance to the caretaker relative, reimburse the caretaker relative, or adopt any other arrangements deemed appropriate by the agency. Regardless of the method selected by the State agency to provide care, reimbursement for the cost

of care with respect to a family may not be less than the amount of the child care disregard for which the family is otherwise eligible. (The disregard is limited to the lower of actual costs or the amounts specified in item II.F.1.) However, in no case may amounts payable for child care exceed applicable local market rates.

The conference agreement provides that any changes a State makes in its method of reimbursing child care costs may not have the effect of disadvantaging families receiving aid on the date of enactment by reducing their income or otherwise.

This provision applies to an individual participating in an employment, education or training activity (including participation in the JOBS program) if the State agency approves the activity and determines that the individual is satisfactorily participating in the activity.

3. Federal matching rate

Present Law

The Federal matching rate under the WIN program is 90% (subject to appropriation and allocation among States). For other programs, the Federal matching rate is 50% (open-ended entitlement).

House Bill

The House bill sets the Federal matching rate at the Medicaid rate (50%–80%, open-ended entitlement).

Senate Amendment

The Senate amendment is the same as the House bill with a modification to require that funds not be used for construction or rehabilitation of facilities.

Conference Agreement

The conference agreement follows the Senate amendment.

4. Dollar limitation per child

Present Law

Under the WIN, WIN demonstration, work supplementation, and job search programs, there is no Federal limit on the amount that may be paid for child care. Under the CWEP program, the State agency may establish amounts that it considers to be reasonable, necessary, and cost-effective, but not in excess of $160 per child per month.

House Bill

The House bill stipulates that Federal matching funds are not available for amounts in excess of $175 per month for a child age 2 and over or $200 per month for a child under age 2. It provides that States may make additional reimbursements from non-Federal funds.

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Senate Amendment

The Senate amendment stipulates that dollar amounts for JOBS participants must be within limits prescribed by the State, but not in excess of applicable local market rates (determined by the State in accordance with regulations of the Secretary).

Conference Agreement

The conference agreement provides that Federal matching is available for expenditures for child care that are within limits established by the State (subject to item III A. 2 above), but not in excess of applicable local market rates (as determined by the State in accordance with regulations of the Secretary).

5. Child care standards

Present Law

Under the WIN program, child care must meet applicable standards of State and local law. Under all other programs, child care standards are at State discretion.

House Bill

The House bill requires that child care involving more than 2 children at the same time meet applicable standards of State and local law. Report language indicates that the bill would require child care services to meet applicable standards of State and local law and would also require child care services involving more than 2 children to meet standards set by the State that ensure basic health and safety protections.

The House bill provides that no amounts for child care may be expended for any services unless the entity providing care provides parental access; posts in clear public view the telephone number for filing any complaint regarding quality or health or safety violations; and complies fully with all local health and fire safety standards (as required under the provision relating to child care standards described above).

The House bill further provides that no State receiving Federal funds for child care may reduce the level of child care licensing requirements or other standards applicable to child care provided within the State on the date of enactment of this Act.

Senate Amendment

The Senate amendment is the same as present law under WIN.

Conference Agreement

The conference agreement required that child care meet applicable standards of State and local law.

States must establish procedures to assure that center-based child care will be subject to requirements designed to ensure basic health and safety, including fire safety protections. The State must also endeavor to develop guidelines for family day care. The State must provide the Secretary with a description of these State- and

local-determined requirements and guidelines, which shall be used by the Secretary to make a report to the Congress on the nature and content of State and local standards for health and safety. The report will be due within 2 years after the effective date of the above provisions.

No amounts for day care may be expended for any services unless the entity providing care provides parental access.

The conference agreement authorizes $13 million for each of fiscal years 1990 and 1991 for grants to States to improve their child care licensing and registration requirements and procedures, and to monitor child care provided to AFDC children. States must provide 10% in matching funds. Allocation is on the basis of each State's relative number of AFDC children.

The conference agreement does not give the Secretary authority to establish Federal day care standards. It is not the intent of Congress to stipulate specific day care standards for States or localities.

6. Income and tax treatment of child care benefits

Present Law

No provision.

House Bill

The House bill requires that the value of any day care provided under this act not be treated as income for any other Federal or Federally-assisted need-based program and may not be claimed as an employment-related expense for tax purposes.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

7. Effective date

House Bill

The House bill provides an effective date of October 1, 1987; or, in the case of a State whose legislature is not in regular session on the date of enactment and State legislation is needed, on the first day of the first fiscal year beginning after the legislature has convened for a regular session during which a budget is (or is scheduled to be) adopted.

Senate Amendment

The Senate amendment provides an effective date which is the same as the effective date of the JOBS program. States must implement JOBS by October 1, 1990, and may implement sooner if they have an approved plan.

Conference Agreement

The conference agreement follows the Senate amendment.

B. TRANSITIONAL CHILD CARE ASSISTANCE

(Section 201 of the House bill and section 301 of the Senate amendment)

1. General requirement

Present Law

Under the WIN program regulations, necessary supportive services, including child care, must continue for a period of 30 days after a WIN participant starts unsubsidized employment, and may continue for a maximum of 90 days at the discretion of the WIN supportive services unit. Under WIN demonstrations programs, transitional child care assistance is at State discretion. The CWEP, work supplementation, and job research programs have no transitional child care requirements. A number of States provide child care to AFDC recipients who leave the rolls because of employment through their title XX (Social Services) programs. Under title XX, States establish their own fee schedules. Child care provided with title XX funds must meet applicable standards of State and local law.

House Bill

The House bill provides that in any case where a family has ceased to receive family support supplements as a result of earnings, the caretaker relative continues to be entitled to reimbursement for the costs (subject to applicable dollar limitations) determined by the State agency to be necessary for an individual's participation in employment.

The House bill provides that except for the limitations and fee requirements described in the provision below, child care provisions for transitional assistance (including the Federal matching rates, dollar limitations, standards, and methods for providing care) are the same as the provisions for child care received during participation in the Network program.

Senate Amendment

The Senate amendment requires that the State agency guarantee child care to the extent the care is determined by the State agency to be necessary for an individual's employment in any case where a family has ceased to receive assistance as a result of increased hours of, or increased income from employment, or as a result of the loss of earnings disregards.

The Senate amendment provides, as does the House bill, that except for the limitations and fee requirements described in the provision below, child care provisions for transitional assistance (including the Federal matching rates, dollar limitations, standards, and methods for providing care) are the same as the provisions for child care received during participation in the JOBS program.

Conference Agreement

The conference agreement follows that Senate amendment.

2. Limitations on assistance

Present Law

No provision.

House Bill

The House bill limits transitional care as follows:

(1) care is limited to a period (determined by the State) of at least 12 months after the last month for which the family actually received assistance;

(2) the family must include a child who is a dependent child; and

(3) family income may not equal or exceed 150 percent of the OMB non-farm income official poverty line.

Senate Amendment

The Senate amendment limits transitional care as follows:

(1) the family must have received assistance in at least three of the six months immediately preceding the month of ineligibility;

(2) care is limited to a period of nine months after the last month for which the family actually received assistance, and a total of nine months out of the preceding 36 months;

(3) the family must include a child who is (or would if needy be) a dependent child.

Under the Senate amendment, a family may not be eligible for care for any month after which the caretaker relative has (1) submitted false or misleading information in order to obtain assistance; (2) been subject to a sanction in the preceding 12 months for failure to meet JOBS employment and training participation requirements; (3) without good cause, terminated employment, refused to accept employment, or reduced the hours of employment; or (4) failed to cooperate with the State in establishing and enforcing child support obligations.

Conference Agreement

The conference agreement provides that child care is limited to a period of 12 months after the last month for which the family actually received assistance.

The Secretary of Health and Human Services is directed to study whether individuals are returning to the welfare rolls in order to requalify for additional months of transitional benefits. If the study shows that this is occurring, the Secretary shall issue regulations which restrict requalification. Such regulations may be issued no sooner than October 1, 1991.

3. Fee requirement

Present Law

No provision.

House Bill

The House bill requires that the family contribute to the cost of care in accordance with a sliding scale formula based on ability to pay, established by the State.

Senate Amendment

The Senate amendment requires that the family contribute to the cost of care in accordance with a sliding scale based on ability to pay, established by the State and approved by the Secretary.

Conference Agreement

The conference agreement follows the House bill. The conferees note that the Secretary has authority to approve fee schedules as part of the Department's general regulatory and plan approval responsibilities.

4. Study of effects

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment requires that the Secretary of HHS conduct a study on the effectiveness of the child care transition provisions in reducing welfare dependence and assisting families in making the transition from welfare to employment, and such other effects of these amendments as the Secretary may find appropriate. A report is due September 30, 1997.

Conference Agreement

The conference agreement follows the Senate amendment.

5. Termination of child care transition

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment provides that authorization for child care transition benefits terminates December 31, 1993.

Conference Agreement

The conference agreement provides that the provision sunsets on September 30, 1998.

6. Effective date

House Bill

The child care transition provisions are effective March 1, 1988.

Senate Amendment

The child care transition benefit provisions are effective October 1, 1989 (October 1, 1990 in the State of Kentucky).

Conference Agreement

The child care transition benefit provisions are effective April 1, 1990.

C. NEW CHILD CARE RESOURCES/TRAINING

(Section 202 of the House bill.)

Present Law

No provision.

House Bill

The House bill requires that States regularly assess the availability and reliability of child care services and take necessary or appropriate steps to develop needed child care resources and ensure the coordination of child care provided under the bill with other child care resources in the State. A State may provide that funds to participants for child care under Network and child care transition may be available to supplement early childhood development programs, including Head Start, Chapter I of the Education Consolidation and Improvement Act of 1981 and other programs, so as to extend these programs to provide full-day, full-year services to children in participating families. State funds expended for this purpose would be matched at 50 percent, on an open-ended entitlement basis.

Effective date: October 1, 1987.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment (i.e., no provision).

D. TRANSPORTATION AND WORK-RELATED EXPENSES

(Section 201 of the House bill and section 202 of the Senate amendment.)

Present Law

Under the WIN program, agencies are authorized to provide necessary transportation and other costs related to participation. Regulations require States to provide an allowance for necessary expenses. Federal matching is 90% (subject to appropriation). Under the WIN demonstration program, transportation and work-related expenses are at State discretion. Federal matching is 90% (subject to appropriation). Under the CWEP program, in cases where the State is unable to provide transportation and other necessary services directly to participants or through a third party, States must provide reimbursement for such costs that are incurred by a participant and directly related to participation. Amounts reimbursed for transportation must be the cost of transportation by the most appropriate means, as determined by the State agency. Federal matching is 50% (open-ended entitlement). Under the work supplementation program, 50% Federal matching is available for transportation costs (open-ended entitlement). Under the job search program, individuals must be furnished transportation and other services necessary to enable them to participate. If services are not provided directly, the agency must pay (in advance or by reimbursement) costs reasonably incurred by a participant in meeting job search requirements. Federal matching is 50% (open-ended entitlement).

House Bill

The House bill requires that States provide reimbursement for transportation and other work-related expenses of Network Participants. Federal matching is an open-ended entitlement, using the Medicaid matching rate. Reimbursement to an individual may not exceed $100 per month (adjusted annually for inflation). However, if the participant must travel 100 miles or more to the Network assignment, reimbursement could be as much as $200 per month.

Effective date: Same as Network, effective October 1, 1989, or earlier if the State has an approved plan.

Senate Amendment

The Senate amendment requires that the State provide payment or reimbursement for necessary transportation and other work-related supportive services that the State determines are necessary to enable an individual to participate in JOBS. Federal matching is 50%, subject to the JOBS funding cap. There is no Federal limit on the amount of reimbursement with respect to an individual.

Effective date: Same as JOBS, effective October 1, 1990, or earlier if the State has an approved plan.

Conference Agreement

The conference agreement follows the Senate amendment, modified to cover necessary transportation and other work-related expenses, including other work-related supportive services, that the State determines are necessary to enable an individual to participate in JOBS.

E. TRANSITIONAL MEDICAL ASSISTANCE

(Section 302 of the Senate amendment.)

1. Initial extension period

a. Coverage period

Present Law

There are two rules for continuing Medicaid coverage to families that lost coverage as the result of earnings from employment.

(1) States must provide for a continuation of Medicaid benefits for a period of four months in the case of a family that loses benefits as a result of increased hours of, or increased income from, employment, if the family has received benefits in at least three of the six months immediately preceding the month in which the family becomes ineligible. This provision applies to a family that loses benefits because of earnings that are at a level that would make the family ineligible even if the $30 plus one-third disregard were used in determining its eligibility for an AFDC benefit. It also applies to a family receiving AFDC on the basis of the unemployment of the principal earner if the family becomes ineligible because the principal earner works more than 100 hours a month.

(2) States must continue Medicaid benefits for nine months for families that lose AFDC eligibility due solely to the fact that they are no longer eligible for certain earned income disregards. AFDC recipients are entitled to the disregard of $30 plus one-third of additional earnings in determining AFDC benefit amounts. However, the one-third disregard may be applied for only four consecutive months of earnings. Thereafter, the $30 disregard is applied for a limit of 8 additional months. States may provide Medicaid for an additional six months (for a total of 15 months coverage) to families that would be eligible for AFDC if these disregards were applied.

House Bill

No provision. (Section 4131 of the Omnibus Budget Reconciliation Act of 1987, H.R. 3545, as passed by the House, contained a related provision.)

Senate Amendment

The Senate amendment requires that each State's Medicaid plan provide that each family that received assistance under the State's child support supplement program in at least three of the six months immediately preceding the month of ineligibility because of increased hours of, or increased income from, employment of the caretaker relative, or because of the loss of income disregards,

shall, without reapplication for benefits, remain eligible for Medicaid during the immediately succeeding six-month period. States may not impose premiums during this initial period. No individual may receive more than 12 months of transitional Medicaid assistance in any 36-month period. Transitional Medicaid assistance sunsets on December 31, 1993.

Conference Agreement

The conference agreement follows the Senate amendment with the following modification. Medicaid transitional benefits would be terminated for any individual with respect to whom the State has made a finding that the individual, at any time during the 6 month period preceeding the beginning of Medicaid extension coverage, received cash assistance benefits because of fraud, including intentional submission of false or misleading information in order to obtain benefits. The 12 month in any 36-month period limitation is deleted. The sunset date is September 30, 1998.

The conference agreement also includes a one-year extension of current authority to provide Medicaid benefits for 4 months to families who leave AFDC due to collection of child support.

b. Notification of eligibility

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment requires that the State notify the family of its right to extended Medicaid benefits when it notified the family of the termination of cash assistance. The notice must include a description of the circumstances under which the Medicaid extension may be terminated. A card or other evidence of the family's entitlement to assistance must be included.

Conference Agreement

The conference agreement follows the Senate amendment with minor and technical changes.

c. Conditions for denying assistance

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment requires that a family be denied Medicaid during the six-month period for any month in which the family does not include a child who is (or would if needy be) a dependent child. The State may not discontinue assistance with respect to a child or an SSI recipient until the State has determined that the individual is not eligible under the State's plan for services to persons who are not categorically eligible. Medicaid shall be denied beginning after a month during which the caretaker relative has (1) submitted false or misleading information in order to obtain child support supplements; (2) been subject to sanction in the preceding 12 months for failure to meet the JOBS employment and training participation requirements; (3) without good cause, terminated employment, refused to accept employment, or reduced the ours of employment; or (4) failed to cooperate with the state in establishing and enforcing child support obligations. Before denial, the State must provide the individual with notice of the grounds for the denial. In the case of denial on the basis of (3) above, the notice must include a description of how the family may reestablish eligibility.

Conference Agreement

The conference agreement follows the Senate amendment with a modification altering the ground for termination.

d. Scope of services

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment provides that the amount, duration, and scope of services made available with respect to a family must be the same as if the family were still receiving cash assistance. At its option, a State may pay a family's expenses for premiums, deductibles, coinsurance, or similar costs for health insurance provided by an employer to a caretaker relative (and also for insurance provided by an employer to an absent parent who is paying child support for a dependent child if that insurance provides more cost-effective coverage). As a condition of extended coverage, the State may require the caretaker relative to apply for such employer coverage, if the State provides for payment of the premium, deductible, coinsurance, or similar expense that the caretaker relative is otherwise required to pay. Under this option, the family would remain eligible under the regular Medicaid program, but such employer-provided coverage must be treated as a third-party liability (which requires the State to seek reimbursement for assistance provided to the extent of the liability).

Conference Agreement

The conference agreement follows the Senate amendment with the following modification. The State would have the option to pay the costs for health insurance provided by an absent parent who is paying child support for a dependent child without a formal finding that the insurance provides more cost-effective coverage. As a condition of extended coverage, the State may require the caretaker relative to apply for employer coverage, if (1) the State provides for payment of the premium and other enrollment expenses and (2) the caretaker relative is not required to make financial contributions through payroll deductions or otherwise. Payments made for premiums, coinsurance and deductibles would be treated as medical assistance and be eligible for Federal financial participation.

e. Earnings reporting requirement

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment requires that the State require each family that receives transitional medical assistance to report the family's gross monthly earnings (and monthly costs of child care incurred by reason of the employment of the caretaker relative), on such date or dates as the State may choose, after the second month of receipt of such assistance.

Conference Agreement

The conference agreement follows the Senate amendment with a modified reporting schedule based on a quarterly rather than monthly system.

2. Additional extension period—

a. Coverage period

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment requires that each State offer each family that has received assistance during the entire initial six-month period (described in 1), and has met earnings reporting requirements, the option of extending assistance for the succeeding six-month period, subject to payment of a monthly premium. No in-

dividual may receive more than 12 months of transitional Medicaid assistance in any 36-month period. Transitional Medicaid assistance sunsets on December 31, 1993.

Conference Agreement

The conference agreement follows the Senate amendment with the following modifications. The imposition of a premium would be optional with the State. The 12 in any 36-month period limitation is deleted. The sunset is September 30, 1998.

b. Notification of eligibility

Present Law

No provision.

House Bill

No provision.

Senate Agreement

The Senate amendment provides that during the second and fourth months of the initial six-month assistance period, the State must notify the family of the family's option for extended assistance in the subsequent six-month period. The notice must include a statement of monthly reporting requirements, a statement as to premiums required for such extended assistance, and a description of other out-of-pocket expenses, benefits, reporting and payment procedures, and any preexisting condition limitations, waiting periods, or other coverage limitations imposed under any alternative coverage options offered by the State (described below).

Conference Agreement

The conference agreement follows the Senate amendment with a modified reporting schedule based on a quarterly rather than monthly system.

c. Conditions for denying assistance

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment requires that a family be denied assistance under the same conditions as apply during the initial six-month period. In addition, assistance shall be denied beginning after a month with respect to which the family (1) fails to pay any required monthly premium, or (2) fails to meet the reporting requirement, unless the family established good cause for such failures. If a family fails to meet the reporting requirements, the State

may provide for suspension of assistance, rather than termination, in order to allow the family additional time to meet the reporting requirement. A family shall be ineligible for assistance if the family's average gross monthly earnings (less the costs of child care necessary for the employment of the caretaker relative) during the preceding month exceeds 185 percent of the OMB poverty line.

Conference Agreement

The conference agreement follows the Senate amendment with the same modifications as applied during the initial six month extension period (item 1(c)).

d. Scope of services

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment requires that during the additional extension period, the State must generally offer assistance that is the same amount, duration, and scope as would be available if the family were still receiving cash assistance. However, at State option, a State may elect not to provide any or all of the following items and services: skilled nursing facility services; certain care provided by licensed practitioners; home health care services; private duty nursing services; physical therapy; certain diagnostic, screening, preventive and rehabilitative services; inpatient hospital services, skilled nursing facility services, and intermediate care facility services for individuals age 65 or over in an institution for mental diseases; intermediate care facility services; inpatient psychiatric hospital services for individuals under age 21; hospice care; and respiratory care services.

Conference Agreement

The conference agreement follows the Senate amendment.

e. Alternative coverage

Present Law

No provision.

House Law

No provision.

Senate Amendment

The Senate amendment provides that the State may offer alternative coverage in lieu of the regular Medicaid program under one or another of the following: enrollment in a family option of the

group health plan offered the caretaker relative; enrollment in a family option within the options of the group health plan or plans offered by a State to State employees; enrollment in a basic State health plan offered by the State to individuals otherwise unable to obtain health insurance coverage; or enrollment in a health maintenance organization less than 50 percent of the membership of which consists of individuals who are eligible for Medicaid, excluding those who are eligible under this option. If the State offers to enroll a family under one of the above options, the State must pay any premiums, deductibles, coinsurance, and other costs imposed on the family. At State option, employer-provided coverage may be offered to a family on the same basis as described in 1. above, with such coverage being treated as a third-party liability.

Conference Agreement

The conference agreement follows the Senate amendment with minor and technical changes. The conferees wish to clarify that under this provision, a State may either offer the basic Medicaid coverage, or may offer a choice between the basic Medicaid coverage and one or more of the alternative coverage options. If the State has offered a choice, and if the caretaker relative chooses to enroll in one of the alternative options, the relative and family is not eligible for the basic Medicaid coverage. Furthermore, if the State offers alternative coverage which involves payment of deductibles, coinsurance, and other cost-sharing, payment shall be based on the full amount allowed under the alternative coverage option, without regard to limitations under the basic Medicaid program. Any amounts paid by a State for premiums, deductibles, coinsurance, or related expenses in connection with the offering of alternative coverage will be considered medical assistance and subject to Federal matching payments.

f. Premium

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment requires that the State impose a premium for coverage offered during the additional six-month period. The level of the premium may vary for options offered by the State (described above). The amount of the premium may not exceed 3 percent of the family's gross monthly earnings, and no premium may be imposed if the family's gross monthly earnings (less child care costs) do not exceed 100 percent of the OMB poverty line.

Conference Agreement

The conference agreement follows the Senate amendment with a modification making imposition of the premium optional with the State.

3. Study

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment requires the Secretary of Health and Human Services to conduct a study of the impact of the transitional Medicaid benefits on access to and use of medical services, the relative effectiveness of different types of coverage provided by States, and the effect of requiring families to pay premiums or incur any other expenses with respect to extended benefits. The Secretary shall report the results by January 1, 1993.

Effective date: October 1, 1989; sunsets on December 31, 1993.

Conference Agreement

The conference agreement follows the Senate amendment with modifications. The report would be due April 1, 1993. The study and report shall include an analysis of whether individuals who have exhausted their extension benefits recycle onto welfare for periods of time in order to requalify for these benefits. Congress shall hold a hearing on the findings of the report within 60 calendar days and shall take such action on the findings of the study as Congress deems appropriate.

Effective date: April 1, 1990; sunsets on September 30, 1998.

F. DISREGARD OF INCOME

(Section 301 of the House bill.)

1. Changes in income disregards

Present Law

At application, a State is required to disregard the following: (a) the first $75 of earned income (to cover work expenses); (b) actual expenses up to $160 per month per child for day care; and (c) the first $50 of any monthly child support payments. The State may also disregard the dependent child's JTPA earnings for 6 months and student earnings if these are also disregarded for purposes of the gross income limit.

To calculate benefits of individuals determined to be eligible at application, the State must disregard the following: (a) all of the earned income of a dependent child who is a student and not working full-time; (b) the first $75 of earned income (to cover work expenses); (c) actual expenses up to $160 per month per child for day

care; (d) $30 of earned income for 12 months; (e) 1/3 of the remaining earned income for 4 months; and (f) the first $50 of any monthly child support payments.

The State may also disregard the dependent child's JTPA earnings for 6 months and student earnings if those earnings are also disregarded for purposes of the gross income limit. (States have the option of disregarding the earnings of a full-time student for up to 6 months in applying the gross income limit.)

House Bill

The House bill would require States to disregard at application the following: (a) the first $100 of the earned income of any individual whose needs are taken into account in calculating the benefit (to cover work expenses); (b) in States choosing the disregard approach, actual day care expenses up to $175 per month per child age 2 or more, $200 per month per child under age 2; and (c) the first $50 of any monthly child support payments. The State also would be allowed to disregard JTPA earnings of any dependent child or minor parent in such amounts and for such periods of time (not to exceed 6 months) as the Secretary provides.

To calculate benefits, the State would be required to disregard the following items in the following order: (a) all of the earned income of a dependent child who is a student and not working full time; (b) the first $100 of the earned income of any individual whose needs are taken into account in calculating the benefit; (c) 25 percent of the remaining earnings of any individual whose needs are taken into account; (d) the first $50 of any monthly child support payments; and (e) actual day care expenses up to $200 per child per month for children under 2 and $175 per child per month for children 2 and over.

Senate Amendment

The Senate amendment retains present law.

Conference Agreement

The conference agreement follows the Senate amendment modified to increase the limit on the disregard of child care costs to $175 per month ($200 per month for a child under age 2); to provide that the child care disregard will be calculated after other disregard provisions have been applied; and to increase the standard disregard from $75 to $90.

2. Optional State disregard increases

Present law

No provision.

House Bill

The House bill would permit States to increase the $100 plus 25 percent earned income disregard and the $50 child support disregard so long as the family's gross income is under the gross income limit (185 percent of the State standard of need).

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment; i.e., no provision.

3. Adjustment of standard deduction

Present Law

No provision.

House Bill

The House bill requires States to adjust the standard deduction ($100 or a higher amount under item 2 above) annually for changes in the cost of living.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment; i.e., no provision.

4. Treatment of the earned income tax credit

Present Law

For AFDC purposes, the earned income tax credit (EITC) is treated as earned income when it is actually received, either as an advance payment or as a refund after the tax year has ended.

House Bill

The House bill requires States to disregard any advance payments or refund of the EITC when calculating AFDC eligibility or benefits.

Senate Amendment

The Senate amendment retains present law.

Conference Agreement

The conference agreement follows the House bill.

5. Effective date

Present Law

No provision.

House Bill

The House bill provides an effective date for the income disregard amendments of October 1, 1988, unless the State legislature is

not in a regular session on the date of enactment of this bill and State legislation is required to provide the funds needed to carry out the amendments made by the Title (or otherwise to implement the amendments). In such case, the effective date for the State would be the first day of the next Federal fiscal year that begins after the State legislature has convened for a regular session during which a budget is (or is scheduled to be) adopted by the State.

Senate Amendment

No provision.

Conference Agreement

The disregared provisons are effective October 1, 1989.

TITLE IV—RELATED AFDC AMENDMENTS

A. NAME OF PROGRAM

(Section 2 of the House bill and section 3 of the Senate amendment.)

Present Law

Under present law, the name of the program is Aid to Families with Dependent Children (AFDC).

House Bill

The House bill changes the name to Family Support Program (FSP).

Senate Amendment

The Senate amendment changes the name to Child Support Supplement Program (CSSP).

Conference Agreement

The conference agreement retains the name of the current program: Aid to Families with Dependent Children.

B. BENEFITS FOR UNEMPLOYED PARENTS (AFDC-UP)

(Section 601 of the House bill and section 402 of the Senate amendment.)

Present Law

Under present law, States have the option of providing assistance to 2-parent families eligible by reason of the unemployment of the principal earner. Twenty-seven States, the District of Columbia, and Guam currently have a UP program.

Regulations define unemployment as working fewer than 100 hours for a particular month, unless hours are of a temporary nature for intermittent work and the individual met the 100-hour rule in the two preceding months and is expected to meet it the following month.

Present law requires attachment to the labor force as a condition of eligibility. The principal earner must: (1) have 6 or more quarters of work in any 13-calendar-quarter period ending within 1 year prior to application for assistance; or (2) have received or been eligible to receive unemployment compensation within 1 year prior to application for assistance. (A quarter of work is a quarter in which an individual earns at least $50 or participates in CWEP or WIN.)

House Bill

The House bill requires all States to provide assistance to 2-parent families eligible by reason of the unemployment of the principal earner.

It authorizes 5 State and local demonstration projects to test the effect of eliminating the 100-hour (or any other durational standard) rule for recipients of cash aid (basing continued eligibility on size of earnings rather than hours of work). Projects would have to require that both parents be required to accept any reasonable full- or part-time job.

The House bill allows a State to substitute attendance in elementary or secondary school, vocational or technical training, or participation in JTPA, for not more than 4 of the 6 required quarters of work. Attendance in vocational or technical training cannot substitute for more than 4 of the 6 required quarters of work over an individual's lifetime. (A quarter of work is a quarter in which an individual earns at least $50 or participates in CWEP.)

The House bill requires a GAO study of the AFDC–UP program within 6 months after enactment of this act, with recommendations for simplifying administration and reducing errors.

Effective Date: January 1, 1990. The demonstration project would be effective October 12, 1987.

Senate Amendment

The Senate amendment requires all States to have an unemployed parent program. Under this program, States could: (1) require participation by any parent in one or more education, employment, and training activities approved under the JOBS program (not to exceed a combined total of 40 hours per person per week); (2) provide that the cash payments would be made to participants after they had performed the required JOBS program activities; (3) provide for the participation of both spouses in JOBS program activities; and (4) limit the duration of cash assistance eligibility. (However, a State could not deny benefits to an otherwise eligible family unless the family had received benefits in at least six out of the preceding 12 months.)

The AFDC–UP provision does not override other provisions in the bill that limit the number of hours a family may be required to participate in CWEP, require the provision of child care, and limit required participation of parents caring for a child under age 6 to no more than 24 hours a week.

Under the Senate amendment, if a State chooses to provide a limit on the duration of cash assistance, medical assistance would nevertheless have to be provided for children in the family who are

under age 18 and (as in present law) for pregnant women in the family.

If a State elects to establish durational limits on cash assistance, it must provide assurances to the Secretary of Health and Human Services that it will have a program of active assistance to help the parents in those families prepare for and obtain employment.

The Senate amendment authorizes 10 State or local demonstrations to test a definition of unemployment that is easier to meet than the present 100-hour rule (by reason of establishing a greater number of hours as the standard) and requires evaluation using random assignment. The demonstration authority would expire September 30, 1995. A report to Congress would be required.

The Senate amendment, like the House bill, allows a State to substitute attendance in elementary or secondary school, vocational or technical training, or participation in JTPA, for not more than 4 of the 6 required quarters of work. Attendance in vocational or technical training cannot substitute for more than 4 of the 6 required quarters of work over an individual's lifetime. (A quarter of work is a quarter in which an individual earns at least $50 or participates in CWEP). The Senate amendment, in addition, requires that participation in the JOBS program be counted in meeting the quarter of work requirement.

The Senate amendment requires the Secretary to evaluate AFDC-UP programs (both time-limited and conventional) and report to Congress within 4 years after the effective date.

Effective date: October 1, 1990.

Conference Agreement

The conference agreement follows the Senate amendment with modifications. It delays the effective date of the mandatory UP program in American Samoa, Guam, Puerto Rico, and the Virgin Islands until October 1, 1992. It requires the Secretary to evaluate UP programs (both time-limited and conventional), including the effects of the work requirement, and report to the Congress. A final report would be due by July 1, 1997. It requires States having a UP program in effect on September 26, 1988 to continue operating such programs without a time limitation on benefits through September 30, 1998. It requires States electing time-limited benefits to provide medicaid to all members of the family without time limitation. The conference agreement sunsets the requirement that all States have a UP program on September 30, 1998 and returns to present law. It further sunsets the UP work requirement on September 30, 1998.

The conference agreement authorizes 8 State or local demonstrations to test a definition of unemployment that is easier to meet than the present 100-hour rule, including (if any State or locality so requests) at least one demonstration that tests the elimination of the 100 hour rule or any other durational standard.

The conference agreement follows the Senate amendment with respect to the quarter of work requirement.

C. BENEFITS FOR MINOR PARENTS

(Section 602 of the House bill and section 401 of the Senate amendment.)

Present Law

Under present law, a minor parent who has a child, and who leaves home, may establish her own household and claim AFDC as a separate family unit. In this situation, the income of the parents of the minor parent is not automatically counted as available to the minor parent, because they are not sharing the household. If a minor parent lives with her parents, their income is counted in determining the benefit of the minor parent.

House Bill

The House bill provides that a minor under age 18 who is unmarried and who has a child may receive assistance only if she resides with a parent, legal guardian, or other adult relative, or in a foster home, maternity home, or other supportive living arrangement.

The State agency may determine it is impossible or inappropriate to apply this requirement if: (1) the individual has no living parent or legal guardian whose whereabouts are known; (2) the parent or legal guardian refuses to let the individual and child live in the home; (3) the health or safety of the individual or child would be jeopardized or living conditions are overcrowded; or (4) the individual has lived apart from the parent or guardian for at least one year prior to the birth of the child or applying for benefits.

The State must assign a case manager to a family headed by a minor parent. The case manager must be responsible for assuring that the family receives and uses all aid and services available and for supervising their use, and may require that assistance payments be paid in the form of protective payments.

If the parent of the minor parent is also eligible for cash assistance, the State must treat the minor parent and child as a separate family unit for purposes of determining benefits. Also repeals present law provision requiring the counting of income of the parents of a minor parent.

Effective date: October 1, 1987.

Senate Amendment

The Senate amendment provides that a minor under age 18 who has never married and who has a child (or is pregnant) may receive assistance only if she resides with a parent, legal guardian, or other adult relative, or in a foster home, maternity home, or other adult-supervised supportive living arrangement.

This requirement does not apply if: (1) the individual has no parent or legal guardian who is living and whose whereabouts are known; (2) the parent or legal guardian does not allow the individual to live in the home; (3) the State agency determines that the physical or emotional health or safety of the individual or her child would be jeopardized; (4) the individual lived apart from her parent or legal guardian for a period of at least one year prior to the birth of the child or applying for benefits; or (5) the State agency otherwise determines (under Federal regulations) that there is good cause for waiving the arrangement.

The Senate amendment requires that assistance, where possible, be paid to the parent or legal guardian.

Effective date: First quarter beginning one year after enactment.

Conference Agreement

The conference agreement follows the Senate amendment but makes the requirement optional with the States.

D. NEED AND PAYMENT STANDARDS

(Sections 701 and 702 of the House bill and section 403 of the Senate amendment.)

Present Law

Each State establishes its own standard of need for a family of a given size to cover the family's basic needs. States also establish a payment standard, which may be lower than the standard of need. It is this amount that usually represents the maximum benefit that is payable to a family of a given size.

House Bill

Each State is required to reevaluate its need and payment standards every year, giving particular attention to the adequacy of the amount assumed necessary for shelter. The results must be reported to the Secretary, the Congress, and the public.

Effective date: Upon enactment.

Senate Amendment

Each State is required to reevaluate its need and payment standards at least every 5 years and report the results to the Secretary.

Effective date: Upon enactment.

Conference Agreement

The conference agreement follows the House bill, modified to require reevaluation of State need and payment standards every 3 years.

E. INCREASE IN FEDERAL MATCHING FOR CASH BENEFITS

(Section 702 of the House bill.)

Present Law

Federal matching for benefits varies from State to State (50–80%) and is inversely related to per capita income.

House Bill

The House bill increases the State's Federal matching share by 25% (but not to more than 90 percent) for any benefit increases made on or after October 1, 1988 and before October 1, 1991. The increased match applies only to that portion of the grant which results from the increase. The increased match continues in effect after October 1, 1991 for increases in benefits which become effec-

tive before that date. The bill prohibits States from lowering benefits below the level in effect on June 10, 1987, or below a level scheduled to go into effect after that date and on or before September 30, 1988 under a State law enacted on or before June 10, 1987.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment (i.e., no provision).

F. STUDY OF ALTERNATIVE MINIMUM BENEFIT PROPOSALS

(Section 703 of the House bill and section 404 of the Senate amendment.)

Present Law

No provision.

House Bill

The House bill requires a study by the National Academy of Sciences of alternative minimum benefit proposals for low-income families with children, giving particular attention to what an appropriate national minimum benefit might be and how it should be calculated.

The study would give consideration to alternative minimum benefit proposals, including those that would link benefit levels to a family living standard, national median income, State median income, and the poverty level. The study would also take into account the probable impact of a national minimum benefit on individuals and on State and local governments. A report would be due 24 months after the date of enactment.

Effective date: Upon enactment.

Senate Amendment

The Senate amendment requires CBO to conduct a study on the implementation of sec. 101 of S. 862, the Partnership Act of 1987, relating to the requirement of a minimum payment standard. The study must assess the extent to which (1) the goal of budget neutrality may be preserved by repealing certain specified programs over a period of time in conjunction with corresponding increases (up to 90%) in Federal matching rates for cash welfare and Medicaid benefits; and (2) the effects on local governments of repealing Federal programs could be mitigated by providing, over time, general revenue supplements to those localities with the lowest levels of fiscal capacity and pass throughs to units of local government. The report is due 12 months after enactment.

Effective date: Upon enactment.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment, but specifies that the CBO study is subject to appropriation.

TITLE V.—DEMONSTRATION PROJECTS

A. GRANTS TO PROVIDE PERMANENT HOUSING FOR FAMILIES

(Section 805 of the House bill and section 501 of the Senate amendment.)

Present Law

No provision.

House Bill

The House bill authorizes 3 State demonstration projects testing whether assistance payments would be reduced through the construction and renovation of permanent housing for families receiving emergency assistance. It would authorize $15 million per year for 5 years, beginning with fiscal year 1988.

The Federal cost per unit would be limited to the cost of housing for a family in temporary shelter for one year. The State matching rate would be 10 percentage points above the current State AFDC matching rate. The Federal cost for rehabilitation or construction for temporary shelter for the families involved, and for assistance to such families over 10 years, would be required to be less than the cost of temporary shelter over the same period.

Senate Amendment

The Senate amendment is similar to the House bill. It would authorize 2 State demonstration projects for 5 years, and would authorize $8 million per year, beginning with fiscal year 1989.

Conference Agreement

The conference agreement has no provision.

B. FAMILY SUPPORT DEMONSTRATIONS

1. Education and training programs for children

Present Law

No provision.

House Bill

The House bill authorizes demonstrations lasting one to five years designed to test financial incentives and interdisciplinary approaches to reducing school dropouts, encouraging skill development, and avoiding welfare dependence. Any State could conduct one or more such demonstrations. (See item 6 for authorization.)

Effective date: Upon enactment.

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Senate Amendment

The Senate amendment is similar to the House bill. It would authorize $500,000 in each year for fiscal years 1989 through 1993.

Conference Agreement

The conference agreement follows the House bill.

2. Test early childhood development programs

Present Law

No provision.

House Bill

The House bill authorizes up to 10 States to conduct demonstration projects for up to 3 years using programs to enhance cognitive skills, linguistic ability, communications skills, and ability to read, write, and speak English effectively of children under 5 years old. (See item 6 for authorization)

Effective date: Upon enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

3. Supported-work demonstrations

Present Law

No provision.

House Bill

The House bill would authorize demonstrations to test the effectiveness of private organizations to operate supported-work programs to place participants in full-time jobs in the private sector, with the Federal subsidy not to exceed 9 months using performance-based contracts conditioned upon retention in such private employment after the Federal subsidy ends. (See item 6 for authorization.)

Effective date: Upon enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment (i.e., no provision). The conferees note that the basic JOBS program includes authority for work supplementation and supportive services, enabling States to implement the basic supported-work model.

4. Community-based family support services demonstrations

Present Law

No provision.

House Bill

The House bill authorizes demonstrations to test methods of providing services to ensure long-term family self-sufficiency through community-based comprehensive family support services involving a partnership between the State agency and community-based organizations with demonstrated effectiveness in providing services. (See item 6 for authorization.)

Effective date: Upon enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

5. Test of using nonprofit organizations to create employment opportunities

Present Law

No provision.

House Bill

The House bill provides financial assistance to nonprofit community development corporations to demonstrate their effectiveness at creating employment opportunities for AFDC/FSP recipients and other low-income individuals. (See item 6 for authorization.)

Effective date: Upon enactment.

Senate Amendment

The Senate amendment authorizes at least 5 but no more than 10 three-year demonstrations of the effectiveness of nonprofit organizations, including community development corporations, at creating employment opportunities. Nonprofit organizations would provide technical and financial assistance to private employers to help them create employment opportunities for low-income persons. A low-income person would be someone receiving AFDC or an individual whose family income does not exceed the official poverty level. The Secretary is required to evaluate the demonstrations and report to Congress by October 1, 1991. The amendments authorizes $6.5 million per year for fiscal years 1989 through 1991.

Conference Agreement

The conference agreement follows the Senate amendment with an authorization of $6.5 million per year for fiscal years' 1990 through 1992.

6. Funding of demonstivation projects

Present Law

No provisions.

House Bill

The House bill authorizes $50 million for each fiscal year for carrying out the projects described in items 1 through 5.
Effective date: Upon enactment.

Senate Amendment

Funding is as shown in description of each item.

Conference Agreement

The conference agreement authorizes $6 million per year, in the aggregate for items 1, 2, and 4 for 3 fiscal years.

C. AFDC MOTHERS AS PAID DAY CARE PROVIDERS

Present Law

No provision.

House Bill

The House bill authorizes up to 5 States to conduct demonstrations designed to test whether employing AFDC/FSP mothers as providers of day care for other children receiving assistance would effectively facilitate the provision of Network services.
Effective date: October 1, 1987.

Senate Amendment

The State amendment is similar to the House bill. It authorizes $1 million each year for fiscal years 1989 through 1993.

Conference Agreement

The conference agreement follows the House bill, and authorizes $1 million each year for fiscal years 1990 through 1992.

D. TEST OF USING THE FOOD STAMP AUTOMOBILE RULES

Present Law

AFDC regulations limit the equity value of a vehicle that can be excluded from the countable resource limit to at most $1,500. The food stamp limit is $4,500 fair market value.

House Bill

The House bill authorizes up to 5 States to conduct demonstrations for up to 5 years to test the use in the AFDC/FSP program of the food stamp automobile limit.
Effective date: October 1, 1987.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment (i.e., no provision). The conferees direct the Secretary to review regulations establishing limits on the value of a vehicle and to revise them if he determines revision would be appropriate.

E. PROJECTS TO EXPAND CHILD CARE

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The State amendment authorizes no less than 5 but no more than 10 States to conduct demonstrations aimed at increasing child care opportunities, especially in rural areas. It would authorize $5 million per year for fiscal years 1989 through 1991.

Conference Agreement

The conference agreement follows the House bill (i.e., no provision).

F. PROJECTS TO PROVIDE COUNSELING AND SERVICES TO HIGH-RISK TEENAGERS

Present law

No provision.

House Bill

No provision.

Senate Amendment

The State amendment authorizes teen care projects in 4 states providing counseling and services aimed at reducing rates of pregnancy, suicide, substance abuse, and school dropout among teenagers. It authorizes $2 million per year for fiscal years 1989 through 1991.

Conference Agreement

The conference agreement follows the Senate amendment with an authorization level of $1.5 million for each of fiscal years' 1990 through 1992.

G. EXTENSION OF MINNESOTA MEDICAID DEMONSTRATION PROJECT

Present Law

Minnesota operates a Medicaid prepaid health care demonstration project under sec. 1115 of the Social Security Act. The project is scheduled to end on June 30, 1988.

House Bill

No provision.

Senate Amendment

The Senate amendment requires the Secretary to extend the waiver for 18 months (to December 31, 1989).

Conference Agreement

The conference agreement follows the Senate amendment.

H. USE OF "INTELLIGENT CREDIT CARDS" FOR PUBLIC ASSISTANCE AND MEDICAID

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment allows States, under section 1115 of the Social Security Act, to establish demonstration projects of one to three years duration on the use of "intelligent credit cards" to obtain benefits or services under Titles IV and XIX.

Effective date: October 1, 1988.

Conference Agreement

The conference agreement follows the House bill; i.e., no provision.

I. NEW YORK AND WASHINGTON DEMONSTRATION PROJECTS

Present Law

P.L. 100-203 authorized demonstration projects in the States of New York and Washington.

House Bill

The House bill includes authority for demonstration projects in the States of New York and Washington.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment (i.e., no provision). The House bill provisions have already been enacted.

TITLE VI.—MISCELLANEOUS PROVISIONS

A. COORDINATION OF CASH AND FOOD STAMP PROGRAMS

(Section 801 of the House bill.)

Present Law

No provision.

House Bill

The House bill establishes a Commission on the Coordination of Family Support and Food Stamp policies to study and make recommendations for developing common policies and definitions for use under both programs in order to eliminate inconsistency or conflict. The study must be submitted to the President and Congress one year after the enactment of this Act.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment (i.e., no provision).

B. UNIFORM REPORTING REQUIREMENTS

(Section 802 of House bill.)

Present Law

No provision.

House Bill

The House bill requires the Secretary to establish uniform reporting requirements for States to ensure effective implementation of the Medicaid and child care transitions, and the minor parent policy.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

C. STATE REPORTS ON SOCIAL SERVICE FUNDS

(Section 803 of House bill.)

Present Law

Under present law, States are required, at least every 2 years, to report on activities funded through the Title XX social services block grant program. These reports may be in such form and contain such information as each State finds necessary to provide accurate information on the purposes for which the funds were expended.

House Bill

The House bill requires that reports be made annually covering the most recent fiscal year. Reports must include: number of children and adults who received each type of service; amount spent for each type of service per adult and per child recipient; criteria applied in determining eligibility for services; and methods by which services were provided, including which types of services were provided by public and private agencies. The Secretary of HHS would be directed to establish uniform definitions of services.

Effective date: October 1, 1987.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill modified to assure that reporting requirements are not unduly burdensome on the States.

D. STUDY OF HOUSING PROBLEMS

(Section 808 of House bill.)

Present Law

No provision.

House Bill

The House bill requires an interagency (HHS and HUD) study and report to Congress on housing problems experienced by AFDC recipients, especially transient families. The report would include the amount of assistance payments spent on housing, number and demographic characteristics of transient recipients, number of evictions, examination of substandard properties occupied by recipients, examples of cooperative welfare/housing programs to upgrade housing stock, and recommendations for ways to provide tenant unit management training. The study would be due six months after the date of enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment (i.e., no provision).

E. SANCTION FOR FAILURE TO COMPLETE TREATMENT FOR DRUG OR ALCOHOL ABUSE

(Section 809 of House bill.)

Present Law

No provision.

House Bill

The House bill provides that AFDC/FSP benefits may not be paid to an individual who had been determined to be a drug addict or alcoholic and has enrolled in a treatment program if and for so long as the treatment facility notifies the State agency that the individual has ceased to participate satisfactorily in the program.

Effective date: On enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment (i.e., no provision).

F. PROVISIONS AFFECTING PUERTO RICO, THE VIRGIN ISLANDS, GUAM, AND AMERICAN SAMOA

(Sections 810 and 811 of the House bill and sections 601 and 602 of the Senate amendment.)

Present Law

Seventy-five percent Federal matching is available for payments under AFDC, foster care and adoption assistance programs, and for payments under programs for needy, aged, blind and disabled individuals, up to the following dollar limitations (per year):

Puerto Rico	$72,000,000
Virgin Islands	2,400,000
Guam	3,300,000

All outlying jurisdictions are eligible to participate in the AFDC, foster care, adoption assistance, child support and WIN programs, except American Samoa.

House Bill

The House bill increases the annual amounts payable for fiscal year 1988 and each fiscal year thereafter as follows:

Puerto Rico	$81,270,000
Virgin Islands	2,709,000
Guam	3,725,000

It extends the AFDC and Network programs to American Samoa, and provides up to $1 million per year for the AFDC program in American Samoa.

Effective date: October 1, 1988.

Senate Amendment

The Senate amendment increases the amounts payable as follows:

Puerto Rico	$82,000,000
Virgin Islands	2,800,000
Guam	3,800,000

It authorizes American Samoa to participate in all programs under title IV of the Social Security Act, and limits funding for AFDC, foster care, and adoption assistance to $1 million per year.

Effective date: October 1, 1988.

Conference Agreement

The conference agreement follows the Senate amendment.

G. AFDC QUALITY CONTROL

(Section 1005 of the Senate amendment.)

Present Law

AFDC has an ongoing quality program that is intended to reduce erroneous benefit payments below certain target levels. States whose error rates fall above target percentages are subject to fiscal sanctions. AFDC fiscal sanctions have been suspended through June 30, 1988.

House Bill

No provision.

Senate Amendment

The Senate amendment continues the suspension of AFDC quality control sanctions through June 30, 1989.

Conference Agreement

During the 12-month period beginning on July 1, 1988, the conference agreement would prohibit the Secretary from imposing any reductions in payments to States pursuant to section 403(i) of the Social Security Act (or prior regulations), or pursuant to any comparable provision of law relating to the programs under Title IV–A of such Act in Puerto Rico, Guam, the Virgin Islands, American Samoa, or the Northern Mariana Islands. The moratorium would extend until July 1, 1989.

During the moratorium period, the Secretary and the States would be required to continue to operate the quality control systems in effect under Title IV–A of the Social Security Act, and to calculate the error rates, including the process of requesting and reviewing waivers.

Current law would be clarified to provide that the moratorium does not apply to the Departmental Grant Appeals Board and its review of the fiscal year 1981 disallowances or any subsequent disallowances. The Grant Appeals Board would be expected to consider appeals during the moratorium period. Collection of disallowances owed as a result of Grant Appeals Board decisions could not occur during the moratorium period.

The requirement, in current law, that the Secretary publish regulations on restructuring the quality control systems to reflect the studies is deleted.

The provision would take effect on July 1, 1988.

H. REORGANIZATION AND REDESIGNATION OF TITLE IV

(Sections 1002 and 1003 of the Senate amendment.)

Present Law

Title IV of the Social Security Act is made up of 5 parts as follows:

Part A.—Aid to Families with Dependent Children
Part B.—Child Welfare Services
Part C.—Work Incentive Program
Part D.—Child Support and Establishment of Paternity
Part E.—Foster Care and Adoption Assistance

House Bill

No provision.

Senate Amendment

The Senate amendment reorganizes and redesignates Title IV as follows:

Part A.—Child Support Enforcement
Part B.—Job Opportunities and Basic Skills Training Program
Part C.—Child Support Supplement Program
Part D.—Child Welfare Services
Part E.—Foster Care and Adoption Assistance

Conference Agreement

The conference agreement follows the House bill.

I. PREELIGIBILITY FRAUD DETECTION

(Section 703 of the Senate amendment.)

Present Law

There is no specific requirement that States conduct activities aimed at detecting fraudulent applications for assistance prior to the establishment of eligibility. Some AFDC fraud control activities are eligible for 50% Federal matching; others for 75%.

House Bill

No provision.

Senate Amendment

The Senate amendment requires the Secretary of HHS to issue regulations within 6 months after enactment requiring States to implement appropriate procedures to assist in the early detection of fraudulent applications for assistance.

Effective date: October 1, 1989.

Conference Agreement

The conference agreement follows the Senate amendment. The conferees instruct the Secretary to develop regulations that allow a range of fraud detection activities that can be tailored to the needs and circumstances of the State.

J. TECHNICAL CORRECTIONS TO MEDICARE CATASTROPHIC COVERAGE ACT OF 1988

(Section 704 of the Senate amendment.)

Present Law

The conference report on the Medicare Catastrophic Coverage Act of 1988 has been passed by the Congress and is awaiting Presidential action.

House Bill

No provision.

Senate Amendment

The Senate amendment makes technical corrections as follows:

(1) It clarifies average actuarial value of the new Medicare benefits which may be used by employers under the maintenance of effort provision.

(2) It restores a section that was inadvertently omitted from the conference report.

(3) It allows continuation of pass-through for costs of certified registered nurse anesthetists at rural low-volume hospitals.

Conference Agreement

J. TECHNICAL CORRECTIONS TO MEDICARE CATASTROPHIC COVERAGE ACT

(Section 704 of the Senate amendment.)

* * * * * * *

Conference Agreement

The conference agreement follows the Senate amendment with minor and technical changes. In particular the conferees note:

(1) The provision regarding the calculation by employers of the value of benefits under the maintenance of effort provision is clarified. An employer may elect to compute the amount of the refunds or additional benefits to be provided either: a. As being equal to the national average actuarial values published by the Secretary; or b. On the basis of the actuarial value (net

of employee premiums) with respect to that employer computed using guidelines published by the Secretary.

It is the conferees understanding that in the case of an employer who is a primary insurer for a Medicare beneficiary the maintenance of effort provision does not apply for that employer for such beneficiary because Medicare is secondary payer for such beneficiary.

(2) The provision regarding adjustment of payments to hospitals is clarified. In particular the provision regarding payment to hospitals which are exempt from the Prospective Payment System (PPS) is modified to make clear that PPS-exempt hospital payments are to be adjusted for portions of cost reporting periods beginning January 1, 1989 to take into account increases in Medicare covered days of care in the base year regardless of whether an individual hospital's allowable operating costs are above or below the target amount specified in section 1886(b)(1).

The conferees expect that the Secretary, in granting exemptions under 1886(b)(4)(A) will take into account increases in length of stay in PPS-exempt hospitals which have occurred since the base year. In particular the Secretary should examine increases in length of stay related to ventilator-dependent patients.

K. EXCLUSION OF CHILD SUPPORT PAYMENTS RECEIVED

Present Law

A State may choose to exclude, as income for food stamp purposes, child support payments that are disregarded under Title IV-A of the Social Security Act (i.e., the first $50 a month). If a State chooses to exclude these payments, it must pay the food stamp benefit cost of doing so. (Secs. 5(d)(13) and 5(m).)

House Bill

An income exclusion would be *required* for those child support payments that are disregarded for recipients under Title IV-A of the Social Security Act. The food stamp benefit cost of doing so would be a Federal cost. (Sec. 1004.)

Senate Amendment

No provision.

Conference Agreement

VII. FUNDING PROVISIONS

A. TEMPORARY EXTENSION OF PROGRAM FOR IRS COLLECTION OF NONTAX DEBTS OWED TO FEDERAL AGENCIES

(Section 901 of the House bill and section 801 of the Senate amendment.)

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Present Law

Federal agencies were authorized to notify the IRS that a person owed a past due, legally enforceable debt to the agency. The IRS then was required to reduce the amount of any Federal tax refund due such person by the amount of the debt and pay that amount to the agency. The refund offset program applied with respect to debts of individuals and corporations. This program expired after June 30, 1988.

Before a refund could have been offset under this program, the agency owed the debt was required to certify to the IRS that the debtor had been notified about the proposed offset and had been given at least 60 days to present evidence that all or part of the debt was not past due or not legally enforceable. The agency also was required to enter into an agreement with the IRS prior to transmitting proposed offsets.

House Bill

The House bill extends the tax refund offset program through December 31, 1990.

Senate Amendment

The Senate amendment extends the tax refund offset program through December 31, 1993.

Conference Agreement

The conference agreement extends the tax refund offset program through January 10, 1994, effective on the date of enactment. This date enables the IRS to process potential refund offsets with respect to refunds on returns that are processed through December 31, 1993. The conference agreement also includes a technical correction coordinating the rules for disclosure of tax information to agencies seeking a tax refund offset attributable to a past-due Federal debt with the parallel rules applicable to a refund offset attributable to past-due child support.

Prior to the enactment of this provision, some Federal agencies may have taken actions to notify a debtor of a proposed offset and to certify to the Treasury Department that a debt is owed, as required by 31 U.S. Code section 3720A. It is intended that these agency actions are not to be affected by the fact that they were taken before the Congress enacted this extension of the Federal debt collection program.

The conference agreement retains the present-law requirement that the General Accounting Office, in consultation with the Secretary of the Treasury, is to report to the Congress on the effects of this program on voluntary tax compliance. This report is due by April 1, 1989. The report is to provide and analyze data on the compliance effects of the program, such as whether taxpayers whose refunds are offset continue to file Federal income tax returns and whether taxpayers whose refunds are offset adjust their withholding so as to create additional collection difficulties for the IRS.

B. MODIFICATIONS OF DEPENDENT CARE CREDIT

(Section 903 of the House Bill.)

Present Law

Under present law, a nonrefundable income tax credit is allowed for up to 30 percent of a limited dollar amount of employment-related child or dependent care expenses (Code sec. 21). Eligible employment expenses are limited to $2,400 in the case of one qualifying individual ($4,800 in the case of two or more qualifying individuals). The 30-percent credit rate is reduced by one percentage point for each $2,000 (or fraction thereof) of the taxpayer's adjusted gross income (AGI) between $10,000 and $28,000. The credit rate is 20 percent for taxpayers with AGI in excess of $28,000.

The term "qualifying individual" means (1) a dependent of the taxpayer who is under age 15 and with respect to whom the taxpayer is entitled to claim a dependent exemption, (2) a dependent of the taxpayer who is physically or mentally incapable of caring for himself, or (3) a spouse of the taxpayer if the spouse is physically or mentally incapable of caring for himself.

Under present law, a taxpayer may exclude from income up to $5,000 per year for amounts provided under an employer-provided dependent care assistance program (sec. 129).

House Bill

The rate of the dependent care credit is reduced by one percentage point for each $1,500 (or fraction thereof) by which the taxpayer's AGI exceeds $65,000. Thus, taxpayers with AGI in excess of $93,500 will not be entitled to claim the dependent care credit.

The provision is effective for taxable years beginning after December 31, 1987.

Senate Amendment

No provision.

Conference Agreement

Phaseout of credit

The conference agreement follows the Senate amendment (i.e., does not include the phaseout provision from the House bill).

Definition of qualifying individual

Under the conference agreement, a child of the taxpayer may be treated as a qualified individual for whom the dependent care credit or dependent care assistance exclusion may be claimed only if the child is under the age of 13 (rather than 15). This provision is effective for taxable years beginning after December 31, 1988.

Limitation on expenses eligible for credit

Under the conference agreement, the dollar amount of expenses eligible for the dependent care credit of any taxpayer is reduced, dollar for dollar, by the amount of expenses excludable from that taxpayer's income under the dependent care exclusion (sec. 129).

For example, assume that a taxpayer with one child incurs $6,000 of child care expenses during a taxable year, $3,000 of which is excluded from the taxpayer's income because the expenses are reimbursed under an employer-provided dependent care assistance program. Under the conference agreement, the amount of expenses otherwise eligible for the dependent care credit ($2,400, in the case of one qualifying individual) is reduced, dollar for dollar, by the amount excluded under the dependent care assistance program. Because the amount excluded under the dependent care assistance program ($3,000) exceeds the expenses eligible for the dependent care credit ($2,400), no dependent care credit could be claimed for the taxable year. On the other hand, if the amount of excludable dependent care reimbursed by the employer was $1,000, then $1,400 of expenses ($2,400 minus $1,000) would be eligible for the dependent care credit.

This provision is effective for taxable years beginning after December 31, 1988.

Reporting of provider's TIN

The conference agreement provides that the dependent care credit (sec. 21) and the exclusion for employer-provided dependent care assistance benefits (sec. 129) may not be claimed unless the taxpayer reports on his or her tax return the correct name, address, and taxpayer identification number (TIN) of the dependent care provider. The conferees anticipate that the IRS will require taxpayers to provide this information on Form 2441 (the current form on which the credit for child and dependent care expenses is computed).

If the dependent care provider is exempt from Federal income taxation and is described in section 501(c)(3) of the Code, the taxpayer is not required to report the TIN of the provider on his or her tax return. However, the taxpayer must report the correct name and address of the exempt organization providing the dependent care and must write "tax-exempt" in the space in which the TIN of the dependent care provider generally would be reported.

If the taxpayer fails to report the correct name, address, and TIN of the dependent care provider and cannot establish to the IRS upon its request that he or she exercised due diligence in attempting to provide that information, neither the section 21 credit nor the section 129 exclusion is allowed to the taxpayer. The taxpayer could show that he or she exercised due diligence by, for example, obtaining and retaining a copy of the social security card or of the driver's license (in a State where the driver's license includes the social security number) of the dependent care provider. Alternatively, the taxpayer could show that he or she exercised due diligence by obtaining and retaining the required information from a recently printed letterhead or printed invoice from the dependent care provider.

The IRS could provide a form that dependent care providers could utilize to furnish the required information to taxpayers. (The IRS must require that any such form is to be signed under penalties of perjury.) For example, existing Form W-9 (used currently to provide a TIN for backup withholding purposes) could be modified

slightly so that it could be used for this purpose. The taxpayer could show that he or she exercised due diligence by obtaining and retaining an IRS-authorized form that has been properly completed by the provider (including signature under penalties of perjury), provided that the taxpayer does not know or have reason to know that information provided by the dependent care provider on that form is incorrect. In addition, the IRS could prescribe other methods by which the dependent care provider may provide the required information to the taxpayer. If so, the dependent care provider could choose among the authorized methods (i.e., copy of social security card or driver's license, IRS form, or other means approved by the IRS) in order to provide the required information to the taxpayer.

The conference agreement requires the dependent care provider to furnish the provider's correct TIN to the taxpayer, unless the provider is exempt from Federal income taxation and is described in section 501(c)(3) of the Code. A provider who fails to comply with this requirement is subject to a penalty of $50 for each such failure unless it is shown that such failure is due to reasonable cause and not to willful neglect.

This provision is effective for amounts claimed in taxable years beginning after December 31, 1988 (i.e., returns due on April 15, 1990, and after).

C. TAX TREATMENT OF CERTAIN BUSINESS EXPENSES (SECTION 902 OF THE SENATE AMENDMENT)

Present Law

Meal and entertainment expenses

In general, the amount of business meal or entertainment expenses allowable as a deduction equals 80 percent of such expenses (Code sec. 274(n)).

Employee business expenses

If an employer reimburses an employee (1) for expenses paid by the employee in connection with the performance of services as an employee, and (2) pursuant to a "reimbursement or other expense allowance arrangement," the amount reimbursed generally is includible in the employee's gross income and is deductible in full by the employee as an adjustment to gross income (i.e., as an "above-the-line" deduction). By contrast, deductions for unreimbursed employee business expenses and other miscellaneous itemized deductions generally are allowable only to itemizers, and, under a rule enacted in the Tax Reform Act of 1986 (the "1986 Act"), only to the extent that the total of such deductions exceeds two percent of the taxpayer's adjusted gross income (the "two-percent floor"). (Code secs. 62(a)(2)(A), 67.)

Prior to the 1986 Act, the IRS had ruled that in certain circumstances, an employee could claim an above-the-line deduction for certain expenses incurred pursuant to so-called "nonaccountable plans." These are arrangements under which (1) the employee is not required to substantiate the expenses covered by the arrangement to the person providing the reimbursement, or (2) the employ-

ee has the right to retain amounts in excess of the substantiated expenses covered under the arrangement. Under such a plan, for example, an employer may agree to pay an employee $60,000 for the year, of which $55,000 is designated as salary and $5,000 as an expense allowance, with no requirement that the employee either return to the employer any part of the $5,000 not utilized for business expenses or substantiate any employee business expenses actually incurred.

House Bill

No provision.

Senate Amendment

Meal and entertainment expenses

In the case of an individual taxpayer, the deductible amount of business meal or entertainment expenses subject to the percentage reduction rule equals 80 percent reduced by one percentage point for each $1,000 (or fraction thereof) by which the taxpayer's adjusted gross income for the taxable year exceeds $360,000 ($180,000 for a married individual filing a separate return). The provision is effective for taxable years beginning after December 31, 1988.

Employee business expenses

No provision.

Conference Agreement

Meal and entertainment expenses

The conference agreement follows the House bill (i.e., no provision).

Employee business expenses

In general

In the 1986 Act, the Congress sharpened the distinction between the tax treatments of unreimbursed and reimbursed employee business expenses. Among other changes, unreimbursed employee expenses plus other miscellaneous itemized deductions generally were made subject to a two-percent floor. In part, this floor takes into account that some unreimbursed expenses that an employee chooses to incur are sufficiently personal in nature that they would be incurred apart from the taxpayer's performance of services as an employee. For example, expenditures for professional association membership and periodical subscriptions may provide personal benefits as well as serve employee business purposes.

At the same time, the Congress decided to retain the above-the-line deduction for reimbursements received by an employee pursuant to a reimbursement arrangement. The Congress viewed an employer's agreement to reimburse certain expenditures pursuant to such an arrangement as evidence that the item was a bona fide, ordinary, and necessary expense of the employer's business, and that in effect the employee was acting as an agent of the employer in paying for the item. In a true reimbursement situation, where

the expenditure is made out of the earnings of the employer's business, the employer has an incentive to require sufficient substantiation to ensure that the allowance to the employee is limited to actual business expenditures incurred on the employer's behalf and for the employer's benefit.

This rationale for allowing the employee an above-the-line deduction to offset true reimbursement amounts does not apply in the case of nonaccountable plans. Under these plans, the amount received by the employee from the employer is not determined by the actual amount of business expenses incurred by the employee during the year. Since the employer does not require substantiation of any employee business expenses actually paid out of the amount received by the employee under the nonaccountable plan, or does not require the employee to return amounts received that are not spent for business purposes, "allowance" amounts under the plan more nearly resemble salary payments than true reimbursement amounts.

If an above-the-line deduction is allowed for expenses incurred pursuant to a nonaccountable plan, the two-percent floor enacted in the 1986 Act could be circumvented solely by restructuring the form of the employee's compensation so that the salary amount is decreased, but the employee receives an equivalent nonaccountable expense allowance. Providing an exception from the two-percent floor for those employees whose employer is willing to utilize a nonaccountable plan is unfair to other employees incurring identical business expenses whose employer does not restructure their compensation through use of a nonaccountable plan.

For example, assume that an employee working for Corporation A is paid $40,000, designated as a salary, and is not entitled to any additional amount under a nonaccountable plan. If the employee decides to incur $2,000 in employee business expenses, that amount is deductible only as a miscellaneous itemized deduction, subject to the two-percent floor. By contrast, assume that an employee working for Corporation B is paid $37,000, designated as salary, and is given an additional $3,000 for the year, designated as an expense allowance, pursuant to a nonaccountable plan. Under the arrangemet the employee may retain any part of the $3,000 whether or not the employee substantiates to the employer, regardless of the amount of employee business expenses. Under present law, if this employee chooses to expend only $2,000 on otherwise allowable employee business expenses, the employee may be able to claim $2,000 as an above-the-line deduction. The conferees believe that there is no justification for different tax treatment of these two employees who receive (and are allowed to retain) identical dollar amounts from their employers and who make identical employee business expenditures.

Under the conference agreement, employee business expenses paid or incurred under so-called "nonaccountable plans" are deductible by an employee only as an itemized deduction, subject to the two-percent floor. These are arrangements that (1) do not require the employee to substantiate expenses covered by the arrangement to the person providing the reimbursement, or (2) provide the employee the right to retain amounts in excess of the sub-

stantiated expenses covered under the arrangement. All such amounts are includible in the employee's gross income.

Substantiation

In general

Under the conference agreement, otherwise allowable employee business expenses are deductible above-the-line as reimbursed expenses only if incurred pursuant to a reimbursement or other expense allowance arrangement that requires the employee to substantiate expenses covered by the arrangement to the person providing the reimbursement. Pursuant to this rule, to be deductible above-the-line such expenses either must be actually substantiated to the person providing the reimbursement, or must be deemed substantiated under the rule described below relating to per diem and other fixed arrangements.

In the case of travel, entertainment, and other expenses governed by section 274, the employee is considered to have substantiated expenses for this purpose if informant is submitted to the person providing the reimbursement sufficient to satisfy the present-law substantiation requirements under section 274 and the regulations under that section. For all other business expenses, and employee is considered to have substantiated expenses for this purpose if information is submitted sufficient to enable the person providing the reimbursement to identify the specific nature of each expense and to conclude that the expense is attributable to the employer's business activities. It is not sufficient if an employee merely aggregates expenses into broad categories (such as "travel") or reports individual expenses through the use of vague, nondescriptive terms (such as "miscellaneous business expenses").

The substantiation requirement in the provision for purposes of obtaining an above-the-line deduction under section 62(a)(2)(A) does not affect present-law substantiation rules under sections 162 or 274.

Per diem and other fixed allowances

The conference agreement provides, similarly to present law substantiation rules under sections 162 and 274, that an employee who receives a per diem or other fixed allowance from an employer will be considered as substantiating (for purposes of sec. 62(a)(2)(A)) the amount of expenses covered by the arrangement up to amounts which have been specified by the IRS.[1] As under present law, elements of an employee's business expenses other than the amount of such expenses (for example, the business purpose of the travel or the number of business miles driven) must be substantiated to the person providing the reimbursement. Thus, to the extent of such fixed allowance, the employee is allowed an above-the-line deduction for the expenses.

The conferees intend that the IRS may deem per diem allowances that are received by an employee and that are calculated to

[1] Under present law, the IRS has discretion to approve reasonable business practices under which per diem, mileage, and similar fixed-scale travel allowances may be regarded as equivalent to an accounting to an employer. See Treas. Reg. secs. 1.162-17(b)(4), 1.274-5(f), and 1.274-5T(g).

exclude lodging costs to be substantiated for this purpose if such allowances are not in excess of the maximum per diem rate for meals and incidentals for which the Executive Branch of the Federal Government reimburses its employees in such cases.

If an employee receives a per diem or other fixed allowance (e.g., 25 cents per mile) that is similar in form to the IRS-specified allowance (e.g., it varies in proportion with miles driven or days away from home) but that exceeds the IRS-specified rates, then the employee is deemed to substantiate the amount of expenses only up to the IRS-specified rates, and any additional business expenses incurred by the employee (whether or not covered by the per diem received from the employer) could be claimed by such employee only as a below-the-line itemized deduction.[2] To deduct the excess amount, the employee must be able to substantiate to the IRS the total amount of expenses (i.e., those deemed to have been substantiated and those deductible as an itemized deduction subject to the two-percent floor). This is to ensure that the IRS will be able to determine the proper amount that an employee is entitled to deduct as an itemized deduction. This special rule allowing above-the-line deductions up to IRS-specified rates only applies if the employee substantiates to the employer the elements necessary for the employer to determine the amount of the allowance (e.g., the number of the miles driven, the number of days away from home, and the business purposes of the travel).

Retaining amounts in excess of expenses

Under the conference agreement, employee business expenses are not deductible above-the-line as reimbursed expenses unless, in addition to requiring substantiation, the reimbursement or other expense allowance arrangement requires the employee to return to the person providing the reimbursement or allowance all amounts in excess of expenses covered by the arrangement and actually incurred by the employee. Pursuant to this rule, an arrangement will not be treated, with respect to an employee, as requiring the employee to return such excess amounts unless the employee actually returns all such excess amounts.

In cases where an employee is reimbursed by the employer on the basis of a per diem or other fixed allowance that is similar in form to an IRS-specified allowance (e.g., it varies proportionately with miles driven or days away from home), regardless of whether the allowance rate equals the IRS-specified rate, such expense allowance up to the IRS-specified rate are deemed to be substantiated (to the extent discussed under "Substantiation" above). Accordingly, there is deemed to be no excess retained by the employee out of the fixed allowance. Thus, an above-the-line deduction is allowed up to the IRS-specified rate.

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[2] For example, assume that an employer provides reimbursement to an employee for business use of the employee's car at a rate of 30 cents per mile, and that the employee substantiates 1,000 miles of business travel. The standard mileage allowance specified by the IRS is 22.5 cents per mile (for 1987). Under the provision, the employee is deemed to substantiate expenses of $225 ($0.225 × 1,000). If the employee can establish that his actual expenses of operating the car exceeded the IRS-specified allowance ($225), the excess could be claimed as an itemized deduction, subject to the two-percent floor.

Reporting and withholding requirements

The conferees intend that the Treasury Department is to revise the requirements, provided by regulations and rulings, for the reporting of business expense reimbursements and allowances. These revisions should confrom the reporting requirements to the changes made by this provision with the goal of enforcing the new rules for above-the-line deductions in the most effective and efficient manner.[3]

The conferees intend that similar changes are to be made in the regulations and ruling defining the amounts subject to income tax withholding. In general, the conferees expect that such revisions will provide that, to the extent reasonably feasible, reimbursements or allowance amounts that are not offset by an above-the-line deduction for business expenses under the rules of the provision are subject to income tax withholding. (Of course, such revisions would not prevent an employee from realizing the benefit of other business expense deductions upon the filing of a tax return in which these expenses are properly claimed as itemized deductions.) In addition, the Treasury may revise the regulations governing the exclusion of reimbursements and allowances from other employment taxes if it finds that conforming the rules for these taxes to the rules for income tax withholding fosters significant administrative simplicity.

Effective date

The provision is effective for taxable years beginning after December 31, 1988.

D. TAXPAYER IDENTIFICATION NUMBERS REQUIRED FOR DEPENDENTS AGE TWO AND OVER CLAIMED ON TAX RETURNS

(Section 803 of the Senate amendment.)

Present Law

An individual must include his or her taxpayer identification number (TIN) on the individual's tax return. In addition, an individual claiming an exemption for a dependent who is at least five years old must report the TIN of the dependent on the individual's tax return (Code sec. 6109(e)). The penalty for failing to include the TIN (or for including an incorrect TIN) is $5 per TIN per return (sec. 6676(a)(1)).

This reporting requirement allows the IRS to conduct a compliance program under which these TINs can be cross-checked against other files, such as the social security death file, the social security valid account number file, and State and Federal public assistance records, as well as against files of the IRS.

An individual's TIN generally is the individual's social security number. Some individuals are exempted from social security self-

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[3] Present-law IRS rules permit an employee who is reimbursed for business expenses that the employee has substantiated to the employer and whose reimbursement equals the expenses not to report either the reimbursement or the expenses on the employee's tax return. The conferees intend that, to the extent the conference agreement continues to allow an above-the-line deduction for such expenses, this practice is to continue in effect to the extent feasible and administrable.

employment taxes because of their religious beliefs. These individuals do not have a social security number; instead, they are assigned administratively a taxpayer identification number.

House Bill

No provision.

Senate Amendment

A taxpayer claiming an exemption for a dependent who is at least two years old before the close of the taxable year with respect to which the return is filed must include the TIN of that dependent on the tax return of the taxpayer for that taxable year. If the return fails to provide the required TIN or furnishes an incorrect TIN, and the taxpayer fails to provide the correct TIN after an IRS request, the IRS may continue its current practice of denying the exemption for the dependent if the taxpayer is unable to establish that it is proper to claim that dependent on the tax return.

No change is intended to the special procedures for obtaining TINs utilized by taxpayers whose religious beliefs affect their participation in social security.

The provision is effective for returns for which the due date (determined without regard to extensions) is after December 31, 1988.

Conference Agreement

The conference agreement follows Senate amendment, effective for returns for which the due date (determined without regard to extensions) is after December 31, 1989.

E. DISALLOWANCE OF DEDUCTIONS FOR EXPENDITURES PAID OR INCURRED IN CONNECTION WITH CRIMINAL ACTIVITIES

(Section 904 of the House Bill.)

Present Law

Ordinary and necessary expenses paid or incurred in carrying on a trade or business generally are deductible in computing taxable income. However, no deduction is allowed for fines and penalties, illegal bribes and kickbacks, and certain other illegal payments (secs. 162(c), 162(f), and 162(g)).

In addition, under present law, no deduction or credit is allowed for expenditures incurred in carrying on illegal trafficking in certain controlled substances (sec. 280E). The disallowance does not apply to expenses that are included in cost of goods sold.

House Bill

No deduction or credit is allowed for amounts paid or incurred in connection with any activity that is prohibited by Federal criminal law or the criminal law of any State in which the activity is conducted. Expenses that are included in cost of goods sold are subject to disallowance under this provision.

The provision applies to amounts paid or incurred after December 31, 1987.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment (i.e., no provision).

VIII. Food Stamp Provisions [1]

A. SHORT TITLE

Present Law

No provision.

House Bill

Cities title X as the Food Stamp Family Welfare Reform Act of 1987. (Sec. 1001.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

B. CATEGORICAL ELIGIBILITY

Present Law

Households in which all members are recipients of AFDC or SSI benefits are categorically eligible for food stamps, without regard to food stamp income and asset eligibility rules. They must, however, meet any applicable employment and training requirements, not have been found ineligible due to fraud, not live in an institution, and, in the case of SSI recipients, live in a State other than California or Wisconsin (in which SSI benefits include an amount for food stamps). Categorical food stamp eligibility for AFDC and SSI households is effective through September 1989. (Sec. 5(a).)

House Bill

The current categorical eligibility rule would be made permanent. (Sec. 1002.)

Senate Amendment

No provision.

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[1] References to present law are to the Food Stamp Act of 1977, prior to amendment by P.L. 100-435 (enacted Sept. 19, 1988).

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 100–435 contains the same provision as in the *House* bill.]

C. EXCLUSION FOR CERTAIN EDUCATION EXPENSES

Present Law

Federal and non-Federal education assistance is excluded, as income for food stamp purposes, (a) to the extent it is used for tuition and mandatory school fees (including, by regulation, costs for equipment, supplies, and materials required of all students in the same course of study) at a postsecondary institution or school for the handicapped, and (b) to the extent any education loan includes origination fees or insurance premiums. (Sec. 5(d)(3).)

In addition, *Federal* postsecondary education assistance under title IV of the Higher Education Act is excluded to the extent it is used for books, supplies, transportation, and miscellaneous personal expenses incidental to attendance (up to an allowance determined by the school). (Sec. 479B of the Higher Education Act of 1965, as amended.)

No portion of any non-Federal education assistance may be excluded from income for food stamp purposes as a reimbursement for expenses to the extent it is provided for living expenses. And, no portion of any Federal education assistance may be excluded from income as a reimbursement to the extent it provides income assistance beyond tuition and mandatory school fees.

House Bill

Federal and non-Federal education assistance would be excluded (a) to the extent used for tuition and mandatory school fees (including costs for equipment, supplies, and materials required of all students in the same course of study) at a postsecondary school, institution of higher education, or school for the handicapped, *or in an employment training program or a program for completion of secondary education,* (b) to the extent any education loan includes origination fees or insurance premiums, and (c) *to the extent used for books, supplies, transportation, and miscellaneous personal expenses incidental to attendance (up to an allowance determined by the school).* (Sec. 1003.)

No portion of any *Federal or non-Federal* education assistance would be excluded from income as a reimbursement for expenses to the extent it is provided for living expenses. (Sec. 1003.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

D. EXCLUSION OF CHILD SUPPORT PAYMENTS RECEIVED

Present Law

States may choose to exclude, as income for food stamp purposes, child support payments that are disregarded under title IV–A of the Social Security Act (i.e., the first $50 a month). If a State chooses to exclude these payments, it must pay the food stamp benefit cost of doing so. (Secs. 5(d)(13) and 5(m).

House Bill

An income exclusion would be *required* for those child support payments that are disregarded for recipients under title IV–A of the Social Security Act. The food stamp benefit cost of doing so would be a Federal cost. (Sec. 1004.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

E. EXCLUSION FOR TWO-PARTY PAYMENTS MADE FOR AGRICULTURAL COMMODITIES

Present Law

No provision.

House Bill

An exclusion, as income for food stamp purposes, would be required for payments made for agricultural commodities produced by a household member engaged in farming, if the payments are made payable jointly to any member of the household and a person (including a government entity) that holds a security interest in the commodities—except to the extent the payments are actually available to the household. (Sec. 1005.)

[Note: This would have the effect of excluding farm loan repayments to the extent made through two-party checks received as payments for commodities.]

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

F. EXCLUSION FOR ADVANCE PAYMENT OF EARNED INCOME CREDIT

Present Law

To determine income for food stamp purposes, earned income tax credit payments are: (1) counted as liquid assets if received as a lump-sum payment, (2) counted as income if received as periodic "advance payments", and (3) not counted at all if received as a simple reduction in a year-end tax payment. (Sec. 5(d)(8).)

House Bill

An income *exclusion* would be required for earned income tax credits received as periodic advance payments. (Sec. 1006.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 100–435 contains the same provision as in the *House* bill.]

G. DEDUCTION FOR DEPENDENT CARE

Present Law

A deduction from countable income for food stamp purposes is allowed for any dependent-care expenses (other than those paid for by a third party) related to employment or training for employment, regardless of the dependent's age. This deduction is limited to $160 a month for each food stamp household. (Sec. 5(e).)

House Bill

A deduction from countable income would be allowed for any dependent-care expenses (other than those paid for by a third party) related to employment or training for employment—up to $200 a month for each dependent who is less than 2 years of age, and up to $175 a month for each other dependent (regardless of age). (Sec. 1007(b).)

A conforming amendment would make clear that dependent-care payments to households under a food stamp employment and training program would be excluded as income. (Sec. 1007(a).)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 100–435 contains (1) a provision expanding the availability of the dependent-care deduction to $160 a month for *each*

dependent, and (2) a conforming amendment that is the same as in the *House* bill.]

H. ANNUALIZING SELF-EMPLOYMENT INCOME AND EXPENSES FROM FARMING

Present Law

In the case of self-employed households that derive their annual income in a period shorter than 1 year (i.e., receive their income irregularly), State agencies are required to calculate monthly income for food stamp purposes by averaging it over a 12-month period. (Sec. 5(f)(1).)

House Bill

In the case of those households with a member who has self-employment income from farming *and irregular expenses* to produce that income, State agencies would be required, at the household's option, to calculate monthly income and expenses by averaging them over a 12-month period. (Sec. 1008.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 100–435 contains the same provision as in the *House* bill.]

I. RELIANCE ON PAST SELF-EMPLOYMENT INCOME FROM FARMING

Present Law

State agencies are required to calculate self-employment income based on anticipated earnings, if the averaged amount based on the prior year's earnings does not accurately reflect the household's actual monthly circumstances because the household has *experienced a substantial change* in self-employment business earnings. (Sec. 5(f)(1).)

House Bill

State agencies would be prohibited from using past income from self-employment *in farming* as an indicator of anticipated income, if changes in that income have occurred or *can be anticipated to occur* in the certification period. (Sec. 1009.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

J. EXCLUSION OF CERTAIN PROPERTY FROM RESOURCES

Present Law

Business assets (such as farm land, equipment, and supplies) are excluded in determining whether a household meets food stamp resource (liquid asset) eligibility standards, while they are used in producing business income (e.g., while a farmer is engaged in farming). (Sec. 5(g).)

House Bill

Property essential to a farming operation (including farm land, equipment, and supplies) also would be excluded for one year after a farmer ceases to be self-employed in farming. (Sec. 1010.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 100–435 contains the same provision as in the *House* bill.]

K. ELIGIBILITY OF STUDENTS

Present Law

A physically and mentally fit individual between the ages of 18 and 60 enrolled at least half-time in an institution of higher education is ineligible for food stamps unless the individual is—

(1) assigned or placed in school under a Job Training Partnership Act (JTPA) program,

(2) employed at least 20 hours a week or working in a federally financed work study program,

(3) a parent with responsibility for the care of a dependent child under age 6,

(4) a parent with responsibility for the care of a dependent child between ages 6 and 12 for whom adequate child care is not available,

(5) receiving AFDC, or

(6) enrolled in school because of participation in the WIN program.

(Sec. 6(e).)

House Bill

Eligibility would extend to those attending, awaiting placement in, or accepted by a school under a JTPA program, a food stamp employment or training program, a Trade Adjustment Assistance training program, or a State or local jurisdiction's training program.

The child care eligibility rule would apply to parents with responsibility for the care of a dependent child between ages 6 and 12 for whom adequate child care is not available *to enable them to*

work at least 20 hours a week or participate in a work study program.

Eligibility would extend to those receiving AFDC or State or local general assistance, and to those who are members of households that are otherwise eligible for food stamps and include the student's parent, grandparent, or legal guardian.

(Sec. 1011.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

L. EMPLOYMENT AND TRAINING PROGRAMS

(1) Transportation and Related Costs Incurred by Participants

Present Law

State agencies are required to *reimburse* participants in food stamp employment or training programs, including volunteers, for transportation and other actual costs that are reasonably necessary and directly related to participation in the program. State agencies may limit reimbursement to each participant to $25 a month. (Sec. 6(d)(4)(H).)

The Secretary of Agriculture is required to reimburse State agencies 50 percent of the participation costs they *pay or incur.* This reimbursement: (1) may not exceed half of $25 a month for each participant, and (2) may not be paid from the separately allocated Federal grants to carry out employment and training programs. (Sec. 16(h).)

House Bill

State agencies would be required to *pay for* transportation, dependent care, and other actual costs of participants in food stamp employment or training programs, including volunteers, that are reasonably necessary and directly related to program participation.

State agencies would be allowed to limit payments for costs other than dependent care to an amount no less than $25 and no more than $75 a month for each participant.

State agencies would be allowed to limit payments for dependent care to $200 a month for each dependent who is less than 2 years of age and $175 a month for each other dependent (regardless of age).

State agencies would be allowed to make payments for transportation, dependent care. and other participation costs directly to participants or to service providers.

Direct payments to participants: (1) could be in cash, or in certificates redeemable by the State agency on presentation by a service provider if the certificates are readily usable by participants, and (2) must be made in advance to the maximum extent practicable.

The Secretary would be required to reimburse State agencies 50 percent of the participation costs they *pay* participants. This reimbursement: (1) could not exceed half *the limits set by each State for costs other then dependent care ($25–$75 a month for each participant) plus half of dependent-care payments to the proposed $200/$175 a month limits for each dependent,* and (2) could not be paid from the separately allocated Federal grants to carry out employment and training programs.

(Sec. 1012(a).)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 100–435 contains provisions similar to those in the *House* bill, increasing federally subsidized support for participants' dependent-care expenses to a maximum of $160 a month.]

(2) Performance Standards

Present Law

Under section 6(d)(4)(J) of the Food Stamp Act, the Secretary is required, for any fiscal year, to establish performance standards that designate the minimum percentages of persons subject to employment requirements (and not exempted from them by State agencies) that the State agencies must place in employment and training programs. These minimum percentages may not exceed 50 percent through September 1989.

Performance standards may vary among the States. In setting performance standards, the Secretary is required to consider State costs and the degree of volunteer participation, and must vary performance standards according to differences in the characteristics of persons required to participate and the type of program to which the standard is applied.

In determining whether a State agency has met a performance standard, the Secretary is required to consider the extent of volunteer participation, factors such as placement in unsubsidized jobs, increases in earnings, and reduction in food stamp participation, and other related factors the Secretary determines to be related to employment and training.

The Secretary may delay establishing performance standards through September 1988, in order to base them on State agency experience in implementing food stamp employment and training programs.

(Sec. 6(d)(4)(J).)

House Bill

The provisions of section 6(d)(4)(J) would be rewritten. Under the revised section, the Secretary would be required to establish performance standards developed after consultation with Office of

Technology Assessment, the Secretaries of Labor and Health and Human Services, appropriate State officials, other appropriate experts, and food stamp participant representatives.

Performance standards would be required to: (1) be coordinated with corresponding standards under the Job Training Partnership Act and employment and training programs under title IV of the Social Security Act, (2) be measured by employment outcomes and based on the degree of success that may reasonably be expected in helping individuals to achieve self-sufficiency, (3) take into account the degree of volunteer participation, (4) take into account job placement rates, wage rates, and job retention rates, (5) take into account households ceasing to need food stamp aid, (6) take into account improvements in educational levels of household members, (7) take into account the extent to which household members are able to obtain jobs with health benefits, (8) encourage States to serve those with greater barriers to employment, (9) include guidelines permitting appropriate variations for differing conditions (including unemployment rates and rates of volunteer participation) among States, and (10) be varied in any State (to the extent permitted by the Secretary's guidelines) to the extent necessary to take account of specific economic, geographic, and demographic factors in the State, and the characteristics of the population served and the types of services provided.

The Secretary would be required to publish proposed measures for the new performance standards not later than 1 year after enactment.

The new performance standards would be required to be established, issued, and published not sooner than October 1, 1989, and would be required to be inplemented not later than 180 days after publication.

Performance standards established under present law would remain in effect until the new performance standards are implemented.

(Sec. 1012(b) and 1012(e).)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 199-435 contains performance standard provisions similar to those in the *House* bill.]

(3) Development of Model Performance Standards

Present Law

No provision.

House Bill

The Office of Technology Assessment would be required to: (1) develop model performance standards suitable for food stamp employ-

ment and training programs that satisfy the criteria specified for the Secretary's standards, (2) compare its standards to the Secretary's, and (3) submit to the House, Senate, and Secretary the results of its comparison—not later than 180 days after the Secretary publishes proposed measures for performance standards. (Sec. 1012(c).)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 100-435 contains model performance standard provisions similar to those in the *House* bill.]

(4) Incentive Payments

Present Law

No provision.

House Bill

The Secretary would be required to develop, and transmit to the House Committee on Agriculture and the Senate Committee on Agriculture, Nutrition, and Forestry, a proposal for modifying the rate of Federal payments to State agencies for food stamp employment and training activities so as to reflect the relative effectiveness of the various States in carrying out these activities. (Sec. 1012(d).)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 100-435 contains incentive payment provisions similar to those in the *House* bill.]

M. FARM HOUSEHOLDS

(1) Authority to Provide Information

Present Law

States may not conduct food stamp "outreach" activities using Federal food stamp funds except, as state option, informational activities for the homeless. (Sec. 11(e)(1).)

[Note: The normal Federal share of State agency administrative costs (50 percent) is applied to those informational activities for which Federal funds are available. (Sec. 16(a).]

House Bill

States also would be allowed, at their option, to conduct food stamp informational activities, using Federal funds (i.e., a 50-percent Federal share), directed at households with members engaged in farming. (Sec. 1013(a).)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 100-435 contains provisions allowing States to conduct food stamp informational activites for low-income households using Federal funds.]

(2) Special Training of State Personnel

Present Law

State agencies must undertake to provide continuing, comprehensive training for all certification personnel. (Sec. 11(e)(6)(C).)

[Note: The Federal share of State agency training costs is the normal 50-percent Federal share of administrative costs. (Sec. 16(a).)]

House Bill

State agencies would, at their option, be allowed to undertake intensive training to ensure that certification personnel dealing with farm households are well qualified to perform certification of these households. As with normal training costs, the Federal share would be 50 percent. (Sec. 1013(b)(1).)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 100-435 contains the same provision as in the *House* bill.]

(3) Training Materials

Present Law

No provision.

House Bill

The Secretary would be required to publish instructional materials specifically designed to be used by State agencies to provide intensive training to personnel dealing with farm households—not

later than 180 days after enactment, and annually thereafter. (Sec. 1013(b)(2)(B).)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 100–435 contains the same provision as in the *House* bill.]

(4) Technical Correction

Present Law

No provision.

House Bill

Subsection 6(h) of the Food Stamp Act, as designated by the 1986 Immigration Reform and Control Act, would be redesignated as 6(j), in order to eliminate a duplicative subsection designation in the Act. (Sec. 1013(b)(2)(A).)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 100–435 contains the same provision as in the *House* bill.]

N. HOURS OF OPERATION

Present Law

The Secretary is required to establish standards for efficient and effective administration of the food stamp program, including standards for periodic review of food stamp office hours to ensure that *employed persons* are adequately served. (Sec. 16(b).)

House Bill

State food stamp agencies would be required to ensure that their offices and points of issuance are open at sufficient locations and during sufficient hours to ensure that persons who are employed, or who are in a work, education, training, or rehabilitation program, may (1) comply with food stamp requirements (including reporting changes, providing verification, appearing at interviews, and submitting applications and requests for recertification) and (2) obtain and use certification documents and food stamps—without missing or rescheduling work, education, or training hours. (Sec. 1014(a).)

The Secretary would be required to include in the standards for periodic review of office hours standards for review of hours to ensure that *persons participating in employment and training programs* are adequately served. (Sec. 1014(b).)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

O. NOTICE OF EXPIRATION; COORDINATED APPLICATION

(1) Notice of Expiration

Present Law

State agencies must ensure that participating households receive a notice that their certification period is expiring prior to the start of the last month of their certification period. (Sec. 11(e)(4).)

House Bill

Notices of expiration would be required to inform households of their rights to: (1) a single interview for food stamps and AFDC, (2) in the case of SSI applicants or recipients, assistance in making a simple application to participate and certification for food stamps using information in Social Security Administration files, (3) in the case of AFDC or general assistance recipients, joint food stamp/public assistance application forms, and (4) in the case of new applicants and those recently denied public assistance, certification for food stamps based on information in their public assistance case file.

Notices of expiration also would be required to inform applicants or recipients of social security benefits of the availability of a simple food stamp application at social security offices.

(Sec. 1015(a).)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

(2) Coordinated Application

Present Law

The Secretary and the Secretary of Health and Human Services are required to develop a system by which: (1) single interviews are conducted to determine food stamp and AFDC eligibility, (2) households in which all members are applicants for or recipients of SSI benefits are informed of the availability of food stamp benefits, as-

sisted in making a simple food stamp application at social security offices, and certified for food stamps using information in social security files, (3) households in which all members are AFDC or general assistance recipients have their food stamp application included with their public assistance application, and (4) new applicants and those recently denied public assistance are certified for food stamps using information in the assistance case file (to the extent reasonably verified information is available).

States are required to implement coordinated application procedures (1) and (2), and may implement procedures (3) and (4).

(Sec. 11(i).)

House Bill

States would be required to implement all four coordinated application procedures.

In addition, States would be required to inform applicants for AFDC benefits that they may file, along with their application for AFDC and without a separate interview, an application for food stamps.

(Sec. 1015(b).)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 100–435 contains the same provisions as in the *House* bill.]

P. WASHINGTON FAMILY INDEPENDENCE DEMONSTRATION PROJECT

Present Law

[NOTE: Provisions nearly identical to those proposed in the *House* Bill were enacted, as a new section 21 of the Food Stamp Act, by the Omnibus Budget Reconciliation Act of 1987 (P.L. 100–203).]

The State of Washington is permitted to conduct a Family Independence Demonstration Project (in all or part of the State) on written application to the Secretary and after the Secretary's approval.

Washington State's application must provide that, except as otherwise provided, the provisions of its May 1987 law establishing the Project will apply to the Project, and that the following terms and conditions will apply: (1) AFDC recipients and other individuals included in the State's law establishing the Project will be eligible to participate in lieu of receiving food stamps and cash assistance under any other Federal program covered by the State's law, (2) individuals eligible to receive only child care or medical benefits under the Project will not be able to receive food aid under the Project, (3) Project participants will receive cash assistance not less than the total value of food stamp and cash aid they would otherwise receive, (4) the State may provide a standard food assistance

benefit under the Project (as long as participants receive food aid that is no less than they would otherwise receive), (5) the State may provide cash food aid equal to the value of the Thrifty Food Plan, (6) Project participants will be notified monthly of the amount of Project assistance provided as food aid, (7) the State will have a program to require Project participants to engage in employment and training activities, (8) food aid will be provided under the Project to any individual accepted for participation not later than 30 days after application, (9) food aid under the Project will be provided to any participant until cash aid under the Project is terminated and the State determines food stamp eligibility and issues food stamps, (10) as in the food stamp program, bilingual personnel and materials will be used, (11) as in the food stamp program, safeguards limiting disclosure of information about participants will be provided, (12) as in the food stamp program, fair hearing procedures will be provided, (13) information from the Social Security Administration, the Internal Revenue Service, and unemployment compensation agencies will be used to the extent allowed, (14) applications for participation will be taken on initial contact, (15) special procedures (e.g., telephone contacts, in-home interviews) will be provided for elderly persons, handicapped persons, and those with transportation difficulties or similar hardships, (16) authorized representatives will be allowed in the application review process, and (17) special procedures will be provided for homeless persons.

The State must provide assurances that: (1) persons will be allowed to participate in the food stamp program without participating in the Project, (2) the cost of food assistance under the Project will not exceed the anticipated aggregate value of food stamp aid and the Federal share of food stamp administrative costs that would have accrued without the Project, and (3) it will continue to carry out the food stamp program during the Project.

If there is a change in State law that would eliminate guaranteed benefits or reduce the rights of applicants or participants, the Project is to be terminated.

The State is to assure that the Project will include procedures and due process guarantees no less beneficial than those available under State and Federal law to food stamp participants.

The State is to assure that it will carry out the Project for 5 years. However, the Project may be terminated 180 days after notice by the State or the Secretary.

If the application submitted by the State fulfills the requirements set forth in law, the Secretary is to approve the application and pay the State the cost of food assistance under the Project and a Federal share of administrative costs.

Until an application to participate in the Project is approved and food assistance made available, the application to participate in the Project is to be treated as an application for food stamps. Food stamp benefits may not be reduced or terminated due to application to participate in the Project.

For purposes of the food stamp program, persons who participate in the Project will not be considered members of a food stamp household.

For purposes of other laws, cash food aid provided under the Project will be treated as food stamps.

The Comptroller General is required to conduct and report on periodic audits of the Project's operations.

The Secretary, in consultation with the Secretary of Health and Human Services, is required to conduct an evaluation of the Project.

(Sec. 21.)

House Bill

The *House* bill contains the same provisions as are in present law, with the following exceptions:

The value of food aid that might otherwise be available to Project participants must be determined without regard to individuals not participating in the Project, and must reflect income and resource exclusions and deduction adjusted for all increases in exclusions and deductions, as well as benefit levels.

The value of food stamps that would have been distributed without the Project must be determined without regard to individuals not participating in the Project.

(Sec. 1016.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

Q. FAMILY INDEPENDENCE DEMONSTRATION PROJECTS

Present Law

No provision.

House Bill

Up to 10 States would be allowed to conduct family independence demonstration projects under the same terms and conditions provided for Washington State under the *House* bill (as described in the preceding item)—except that food aid must be provided in coupons rather than in cash. (Sec. 1017.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

R. ISSUANCE OF RULES

Present Law

No provision.

House Bill

The Secretary would be required to issue rules to carry out the provisions of the Food Stamp Family Welfare Reform Act not later than January 1, 1988—except for rules pertaining to family independence demonstration projects. (Sec. 1018.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

S. SEVERABILITY

Present Law

No provision.

House Bill

If any provision of the Food Stamp Family Welfare Reform Act or any application of any of its provisions is held invalid, the remainder of the Act and its amendments would not be affected. (Sec. 1019.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

T. EFFECTIVE DATES; APPLICATION OF AMENDMENTS

(1) Contingency

Present Law

No provision.

House Bill

Other than the severability provision (sec. 1019), which would take effect on enactment of the bill, the provisions of the Food Stamp Family Welfare Reform Act would only take effect if the aggregate reduction in the Federal deficits in fiscal years 1988, 1989, and 1990 (as determined by the Director of the Congressional Budget Office under specified procedures) exceeds the aggregate reduction required to be achieved under the budget reduction instructions contained in section 4 of the concurrent budget resolution for fiscal year 1988 (H. Con. Res. 93) by at least the aggregate cost of carrying out the amendments made by the Food Stamp Family Welfare Reform Act for fiscal years 1988–1990.
(Sec. 1020.)

SENATE AMENDMENT

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

(2) Effective Dates

Present Law

No provision.

House Bill

Provisions dealing with the exclusion for education expenses, the exclusion for child support payments, and eligibility of students would take effect on July 1, 1988.

Provisions relating to employment and training programs would take effect on October 1, 1988.

Provisions relating to family independence demonstration projects would take effect on January 1, 1988.

Other provisions would take effect on the date, if any, the Director of the Congressional Budget Office makes the determination set forth in the contingency provisions noted above.

(Sec. 1020.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

(3) Application of Amendments

Present Law

No provision.

House Bill

Amendments made by the Food Stamp Family Welfare Reform Act would not apply with respect to any certification period beginning before the effective date of the amendment.

(Sec. 1020.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

From the Committee on Ways and Means, for consideration of the House bill (except title X), and the Senate amendment (except secs. 203(b)(5), 203(b)(6), 302, 303, 402(d), and 509), and modifications committed to conference:

DAN ROSTENKOWSKI,
TOM DOWNEY,
HAROLD FORD,
DONALD J. PEASE,
BARBARA B. KENNELLY,
GUY VANDER JAGT,
BILL FRENZEL,
HANK BROWN,

From the Committee on Education and Labor, for consideration of title I and secs. 202, 511, and 804 of the House bill, and title II and secs. 502, 503, 506, 507, and 508 of the Senate amendment, and modifications committed to conference:

STEPHEN J. SOLARZ,
JIM JEFFORDS,
STEVE GUNDERSON,
PAUL B. HENRY,

From the Committee on Energy and Commerce, for consideration of title IV of the House bill, and secs. 203(b)(5), 203(b)(6), 302, 303, 402(d), 402(f), 404, 508, 509, 510, and 704 of the Senate amendment, as well as that portion of sec. 201 of the Senate amendment which adds a new sec. 417(f)(6) to the Social Security Act, and modifications committed to conference:

JOHN D. DINGELL,
HENRY A. WAXMAN,
JAMES H. SCHEUER,
DOUG WALGREN,
RON WYDEN,
WAYNE DOWDY,
ED MADIGAN,
BOB WHITTAKER,
THOMAS J. TAUKE,

From the Committee on Agriculture, for consideration of title X and sec. 801 of the House bill, and modifications committed to conference:

DE LA GARZA,
LEON E. PANETTA,
DAN GLICKMAN,
HARLEY O. STAGGERS, Jr.,
MIKE ESPY,
BILL EMERSON,
TOM LEWIS,
BILL SCHUETTE,
WALLY HERGER,

Managers on the Part of the House.

LLOYD BENTSEN,
DANIEL PATRICK MOYNIHAN,
DAVID PRYOR,
JOHN D. ROCKEFELLER IV,
THOMAS A. DASCHLE,
BOB PACKWOOD,
BOB DOLE,
MALCOLM WALLOP,
WILLIAM L. ARMSTRONG,
Managers on the Part of the Senate.

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